



Draft Statement of Accounts

2022/23

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Audit Opinion

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Narrative Report

About Sandwell

The Borough

Sandwell is part of the West Midlands Conurbation and sits proudly at the heart of the Black Country. We are one of the seven local authorities that make up the West Midlands Combined Authority.

Sandwell is home to strong and vibrant communities. Our growing population (currently 341,835) is diverse with more than 42.8% of our population from ethnic backgrounds. Our six towns of Oldbury, Rowley Regis, Smethwick, Tipton, Wednesbury and West Bromwich have distinct identities and characteristics. Sandwell's rich past and multi-cultural heritage is central to its uniqueness and continues to shape its future.



Sandwell is, however, an area of widespread deprivation with huge and increasing demand for Council services. Many Sandwell residents including our children and young people experience poor outcomes; 26.3% of children in Sandwell live in relative low-income families. The Council has an ambitious plan to tackle these challenges and ensure every child and young person can realise their full potential.

Big Plans for a Great Place - The Sandwell Plan 2020 – 2025

Big Plans for a Great Place sets out our ambitious plan to deliver the vision 2030, creating a healthier, more successful future for the people of Sandwell – working as one Council and one team with our residents, businesses and partners.

“Sandwell Vision 2030 – Sandwell has a clear vision for what the borough should look and feel like by 2030. In 2030, Sandwell is a thriving, optimistic and resilient community. It’s where we call home and where we are proud to belong – where we choose to bring up our families, where we feel safe and cared for, enjoying good health, rewarding work, feeling connected and valued in our neighbourhoods and communities, confident in the future and benefiting from a revitalised West Midlands”

Big Plans sets out what the Council will do to deliver Vision 2030 and its 10 ambitions, over the next five years.

It is not intended to be an exhaustive list of everything we do as a Council, but simply sets out our strategic outcomes which will guide us in making sure our people and communities thrive and prosper.

Strategic Outcomes

Our corporate plan, Big Plans for a Great Place, has been refreshed in the light of significant change over the last two years. The strategic outcomes have stayed the same, but some actions have been modified and updated. This year the delivery of the corporate plan will be supported by directorate business plans.

1. The best start in life for children and young people

The critical early period from pregnancy to a child's second birthday provides the foundation for how they will develop, grow and learn and for their future life chances.

We know that poverty can limit nutrition, affect cognitive development, the ability to do well in school and ultimately earn a good living later. It can contribute to vulnerable environments. Therefore, we have placed the emphasis on the importance of the first 1,000 days of a child's life and the importance of families securing the support available to them.

Children being ready for school and schools being ready for children. Families and communities being able to support that readiness are vital, so we are introducing specific additional measures for this early period and to prepare young people for adult life and skills, with a particular focus on vulnerable children.

2. People will live well, age well

The Pandemic and lockdowns have worsened existing health inequalities. We will work to redress that balance by investing in the community, voluntary and faith sectors, playing our part in the vaccine roll-out and ensuring that local communities are connected.

Living healthy lives is also paramount. From an early age, health is an issue for residents, with Sandwell underperforming for prevalence of obesity as well as mental ill health. People are living longer but are often in poor health as they get older. We want people to live well for longer. And we will put in place the measures to reverse this trend by working with local people to create community-based opportunities leading to healthier lives.

It is also vital that people with care and support needs are enabled to make choices about the life they live. Being able to choose where you live, how you are supported, if you work or attend college and how you spend your free time are basic decisions that many people with care and support needs find it difficult to make without support. We will help people make everyday choices around not just how they are supported, but also how they choose to live their lives.

We'll make sure that people don't stay in hospital for longer than they need to and we will share information across health and social care staff to reduce duplication. We will do this by working with partners to integrate health and social care.

3. Strong resilient communities

Sandwell is an area rich with heritage and culture, with historic town centres and a legacy of metalworking to celebrate. Our residents tell us that vibrant local towns are important for encouraging families to stay and have pride in where they live. This together with our programme for enhancing our green spaces and commitment to becoming carbon neutral will deliver positive outcomes for all our communities.

We know that people want to feel proud of where they live and that part of this is about getting the basics right, ensuring that our neighbourhoods and towns are clean and well maintained.

We will ensure that Sandwell is a safe environment, whether that be the safety of our road network, our parks and open spaces, adequate street lighting or, for instance, that our residents do not get caught out by rogue traders.

4. Quality homes in thriving neighbourhoods

Having a warm, safe and secure home in an attractive environment is vital for improving living standards. There are 130,000 homes in Sandwell and 27% of those are managed by the council.

We continue to have a very healthy council house building programme and to work productively with partners to deliver quality homes in Sandwell. We are rightly proud of our council house building programme and we are looking at developing the second Council House Build Programme, this will enable us to deliver more homes that meet our residents' needs.

By 2030, we aim to have around 8,500 new homes built on sites with rapid transport connections into Birmingham, including the Dudley Port line, Metro and Jewellery line (Worcester to Birmingham). This will be a mix of council house building and homes built by registered housing providers and the private sector. We will also be working with our communities to explore the potential of community-led housing schemes and self-build.

We will also want to improve the quality of existing accommodation in terms of making sure our properties are safe and comply with fire and building safety requirements and that they are energy efficient. As a Council we want residents to inform service delivery and help to shape our services, this is no different in housing. We want to ensure that our tenants can participate in activity that helps to develop our offer.

More than 5,080 Sandwell families or individuals declared themselves homeless in 2022-2023 and 61% of these were single people. We will work to identify the needs of the most vulnerable people in Sandwell and work to support families who are at risk of becoming or who are homeless.

5. A strong and inclusive economy

Sandwell is the third largest borough in the West Midlands with a population of almost 342,000 and a £6.3 billion economy, the largest in the Black Country. For our size our economy is not yet punching its weight and reaching its full potential. It is well understood that working and having a good income is one of the determinants of health and wider social benefits.

We are committed to working together with all our partners to create a strong and growing Sandwell, built on fairness. An economy where no one is left behind, that benefits everyone and where we build on the collective strengths of our community. We also want to work with our partners to make sure that, wherever possible, we spend our money directly with local suppliers so that the economy in Sandwell benefits and the money stays in Sandwell.

As a council, we really value our local businesses and want to continue to deliver high quality support that helps them thrive and prosper; and encourage the growth of new businesses. Part of this is ensuring that local people have the skills and knowledge to fill any vacancies by offering local training and development opportunities.

We want our young people to have access to good jobs and we will work with education providers and local businesses to guide young people to the pathways that enable them to meet their aspirations.

6. A connected and accessible Sandwell

Sandwell is located right in the heart of the West Midlands and is well connected both regionally and nationally. Sandwell's five motorway junctions, extensive canal network and 12 train stations are critical connectivity points, with easy access to Birmingham and Coventry.

Recognising that transport can be a barrier to work, we will work with our partners such as the West Midlands Combined Authority (WMCA) <https://www.wmca.org.uk> to ensure that our residents can access employment opportunities across the region particularly by public transport.

We want to make sure that all public transport options available locally are as green as possible. So, we will continue to invest in green infrastructure, alongside the investment we will continue the implementation of the Sandwell's Cycling and Walking Infrastructure Plan to develop more cycling and walking routes.

The COVID-19 pandemic has exacerbated the digital divide that exists in our communities. So now more than ever it is important that we address digital exclusion when designing services and making key council decisions. We also need work with our partners at WM5G to ensure Sandwell maximises opportunities for 5G infrastructure, so that internet users in Sandwell have the best connectivity.

One Council, One Team

To deliver our ambitious plans we will create a modern, outstanding council, one where our organisational structure, business systems, process and people and cultural working practices are fully aligned to deliver our strategic outcomes. We will build a One Council: One Team ethos, breaking down departmental barriers, building collaborative team working and setting a sustainable budget aligned to outcomes.

At the centre of everything we do are the services we provide on a day-to-day basis, that make life better for people in our communities. The pandemic has changed the way we work significantly and our residents are interacting with the council increasingly online. We want to make sure that Sandwell people get a good quality, consistent level of service, however they choose to contact the council. Central to this is the development of our digital services and supporting those people who want help in improving their digital skills. We are committed to becoming a listening, responsive council that enables our residents to influence the design of services.

Our key strength as an organisation is our staff and their commitment to give Sandwell people the very best. A skilled, diverse, motivated and healthy workforce is key to this success. We will create a modern workplace and give staff technological tools that encourage creativity, collaboration and transformation. We take the health and wellbeing of our employees very seriously and will build the resources available to support them.

The Council

Political Leadership

The Council's Constitution provides that the Leader of the Council will be a Councillor elected to that position by the Council and that he/she will hold office for up to four years or until he/she resigns, is suspended, ceases to be a Councillor or is removed by resolution of the Council either directly or indirectly by virtue of the election of a new leader.

Councillor Kerrie Carmichael was elected as leader of the Council at the full Council meeting on 7 December 2021.

Organisational Structure

Shokat Lal was appointed as the new chief executive on 6th February 2023.

The chart below represents the structure of the council's Chief Officer's Team during the financial year ended 31st March 2023.

NARRATIVE REPORT

01 October 2023

Contact: www.sandwell.gov.uk/mysandwell

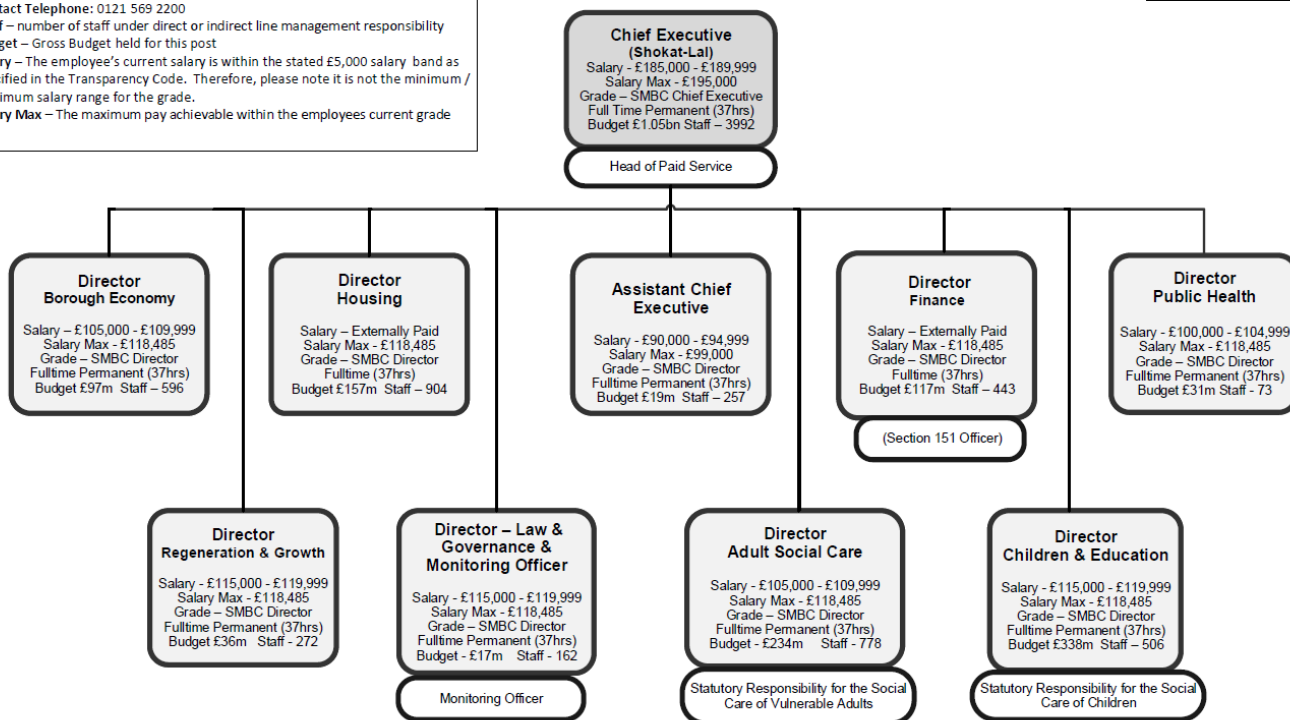
Contact Telephone: 0121 569 2200

Staff – number of staff under direct or indirect line management responsibility

Budget – Gross Budget held for this post

Salary – The employee's current salary is within the stated £5,000 salary band as specified in the Transparency Code. Therefore, please note it is not the minimum / maximum salary range for the grade.

Salary Max – The maximum pay achievable within the employees current grade



Revenue Outturn

Sandwell's net general fund balance increased by £2.329m in 2022/23.

Despite an increase in the General Fund balance, services faced challenges during the year with a higher than budgeted pay award and inflationary pressures. This was mitigated by savings made where possible, along with lower than budgeted interest payments.

The Housing Revenue account balance increased by £2.911m in 2022/23.

Our maintained schools have ended the year with surplus balances of £36.065m, a decrease of £4.522m compared to the previous year. There was one school that closed with a deficit budget share for 2022/23.

There were three schools that converted to an academy during 2022/23:

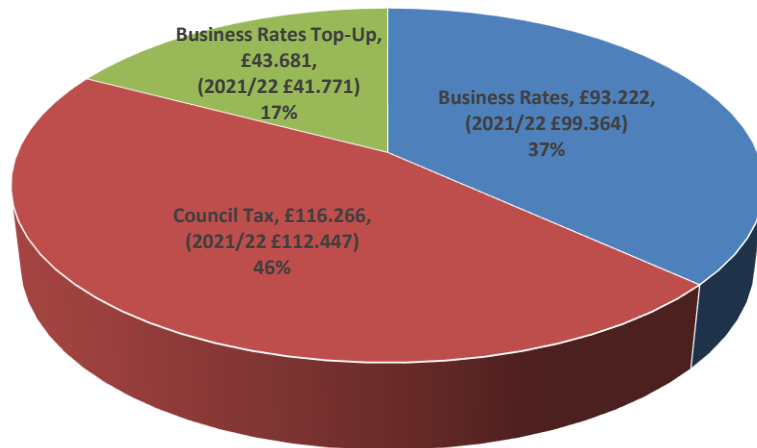
1 August 2022
1 December 2022
1 March 2023

Rounds Green Primary
Moat Farm Junior
Tipton Green Junior School

Sources of funding

Our General Fund revenue expenditure was funded from the following sources:

Sources of Funding 2022/23 (£'m)



Capital Outturn

Capital expenditure of £120.7m was incurred during 2022/23, mainly including:

- £0.928m Cemeteries & Crematoria
- £4.135m Oracle Fusion & ICT Refresh
- £17.386m Towns Fund
- £3.863m New Social Care Health Centre
- £1.065m Parks improvements
- £9.139m New schools/school refurbishments
- £3.421m Disabled Facilities Grant
- £0.414m Vehicles
- £13.805m Various Highways related schemes
- £9.916m New Sandwell Aquatic Centre for the 2022 Commonwealth Games
- £55.043m Housing Revenue Account

Treasury Management

At 31 March 2023, the Council's principal external debt was £470.808m (£480.188m at 31 March 2022) and its cash investments totalled £30.670m (£50.850m at 31 March 2022).

The Council's underlying need to borrow for capital expenditure is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position and represents the 2022/23 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources. At 31 March 2023 the CFR was £840.652m, up from £808.927m at 31 March 2022 (See Capital Financing Requirement Note).

The financial year 2022/23 continued with the challenging environment of previous years, mainly low investment returns and additional pressures as a result of the Covid-19 pandemic.

The Council maintained an average investment balance of £94.106m in 2022/23. These funds received an average return of 2.23%, equal to the performance indicator of 2.23% (average 7 day SONIA).

Bank Rate was predicted to remain low throughout the financial year, slowly increasing to 0.75% by March 2023. However, the turbulent economic position the UK faced during the year resulted in Bank Rate actually increasing to 4.25%. This inflated position did generate additional investment returns compared to the approved budget.

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The Council has complied with all the relevant statutory and regulatory requirements which require the Council to identify and where possible, quantify the levels of risk associated with its treasury management activities. Its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable and its treasury practices demonstrate a low risk approach.

General Fund Balance

We end the year with a General Fund Balance of £18.943m, an increase of £2.329m compared to the position as at 31 March 2022 of £16.614m.

Closing General Fund Balances of £18.943m represent approximately 6% of the council's budgeted net expenditure for 2023/24.

Going Concern

Sandwell MBC carries out functions that are essential to the local community. We have a strong track record of financial stability, managing funding reductions whilst protecting front-line services. After almost 10 years of austerity we have maintained a prudent level of reserves and we continue to be resilient in the face of the significant financial challenges facing local government. Our Medium-Term Financial Strategy (MTFS) is robust and we have a strong track record of delivering savings.

The authority also has revenue raising powers and high collection rates for both Council Tax and Business Rates.

These financial statements are, therefore, prepared on a going concern basis.

Cash Flows

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. During 2022/23 net cash and cash equivalents decreased by £29.800m.

Assets and Liabilities

The Council continues to maintain a strong balance sheet. Long term assets are valued at £2,590.417m. Long term liabilities are valued at £555.275m including a net deficit of £91.341m attributable to the Council on the West Midlands Pension Fund. This is reviewed periodically by the Fund Actuary (Hymans Robertson LLP).

The results of the most recent review were used to prepare the 2022/23 accounts. The 2022/23 past service and future service contribution rates for the Council and employees were adjusted in order to address this deficit over time. The pensions liability note explains in more detail.

IFRS 16 – Accounting for Lease Transactions

On 12 July 2019, CIPFA/LASAAC issued the proposed text for the adoption of IFRS 16 in the 2020/21 Code. However, at its meeting on 27 March CIPFA/LASAAC agreed to defer the implementation of IFRS 16 Leases to the 2021/22 financial year, with an effective date of 1 April 2021.

However, in April 2022 the CIPFA/LASAAC Local Authority Accounting Code Board announced that they have, with the approval of the Government's Financial Reporting Advisory Board (FRAB), agreed to defer the implementation of IFRS 16 Leases for a further 36 months, with a new effective date of 1 April 2024.

NARRATIVE REPORT

Although the decision has been taken due to the impact on Local Authority finance teams of the COVID-19 pandemic, CIPFA/LASAAC are keen to stress that this further deferral is limited to one year only. The Finance team will continue their preparations for implementation ahead of adoption of this standard in the 2024/25 financial year.

The Standard is expected to have a significant practical and financial effect for local authorities.

It will be of wide interest because of the prevalence of leasing in local government and the risk that the changes could have a budgetary impact if not managed effectively.

The main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions with the asset being recorded on the balance sheet, together with a liability to pay for the asset acquired.

This method is referred to as the "Acquisition Approach". In contrast, operating leases have been treated as "pay as you go" arrangements, with lease rentals expensed in the year that they are paid. The new standard requires all substantial leases to be accounted for using the "Acquisition Approach".

Work has already commenced on planning and preparing for the implementation of the changes required to ensure compliance with the Standard from 2024/25.

Termination Benefits

The council terminated 67 employee contracts (excluding schools) in 2022/23 to meet the ongoing challenges of the difficult economic climate and budget reductions, incurring liabilities of £3.862m.

A provision of £1.461m was created for employees approved as planned leavers at 31 March 2022 at the end of 2021/22. Of this £1.201m was utilised, £0.126m was released back to services and £0.133m re-provided for in 2022/23.

Further termination costs of £3.446m not included in the 2021/22 provision have been incurred. £2.691m of this has been funded by Directorates and £0.755m from the Council's Corporate Resources.

Agreements were made in 2022/23 for 2 employees to leave the council during financial year 2023/24 at an estimated cost of £0.121m; a provision has therefore been created for this amount.

Further provision of £0.367m has been created for 2022/23 leavers for whom costs have been estimated but not yet incurred.

As at 31/03/2023, the council holds a total provision of £0.621m.

Schools terminated 32 employee contracts in 2022/23, incurring liabilities of £0.378m.

Sandwell's Voluntary and Community Sector

Sandwell's Voluntary and Community Sector (VCS) is a major asset to the borough and forms a very important part of our thinking about how the vision will be achieved. Active and visible voluntary and community groups play a crucial role in building resilience in Sandwell's communities, helping people to resolve their own problems and preventing or delaying the need for health or social care.

Councils Economic Strategies

The Council identifies priorities to respond to the vision at a local level building upon natural strengths, such as those in renewable energy sector while continuing to address longstanding challenges in

productivity, innovation, business growth, skill demand and existing pockets of deprivation in urban, rural areas.

- **Business Growth:** Support sector growth and bring forward and maintain an attractive portfolio of employment sites in combination with high-quality and effective business support services.
- **Lifelong Learning:** Equip people with the skills they need to progress in the labour market, engage those furthest from employment or education and deliver higher level skills to meet the demands of the local economy.
- **Quality Locations:** Develop a 'place-based' approach to meet the housing, infrastructure, employment and local service needs to create sustainable and growing communities.
- **Sustainable Economy:** Ensure greater cohesion and integration between our natural and economic asset base to contribute towards a more sustainable, low carbon economy.

2023/24 & Beyond

Governance

In reviewing the Council's priorities and its implications for its governance arrangements, the Council carries out an annual review of the elements that make up the governance framework to ensure it remains effective.

Central Government Funding

For 2022/23 the Council approved a budget which included a contribution to General Fund balances of £0.46m. This was to ensure that sufficient resources were set aside in order that a prudent minimum target level for the General Fund was maintained; that level being 5% of net budget.

The Council did benefit from growth in Government funding in 2022/23 from the Local Government Finance Settlement compared with 2021/22, however much of that was ringfenced for specific service provision where cost pressures had increased significantly. Specifically, Social Care Grant saw an increased allocation of £5.70m, taking total funding to £22.70m, and a new grant of £1.25m for Market Sustainability and Fair Cost of Care Fund was received within the Adult Social Care service. Furthermore, a new Services Grant of £7.06m was allocated to the Council which was un-ringfenced and could therefore be used to assist in the funding of day-to-day service provision, although part of this was to fund the additional cost to the council of a 1.25% increase in National Insurance contributions for employers.

The settlement also included a provision for limits on increases to Council Tax without the need for a referendum, and Sandwell's element of the Council Tax was therefore increased by 4.99% in line with those provisions.

Whilst the Council did benefit from additional funding for 2022/23, it was a one year settlement with no announcement of any future funding reform. This generated uncertainty over future increases in Government funding, and the Council's Medium Term Financial Strategy therefore took a prudent approach on future funding proposals.

Climate Change

Our Climate Change Strategy was agreed by Cabinet in 2020. The strategy covers the timeframe 2020 to 2041. Our overarching targets are:

- To reach carbon neutrality (Carbon Net Zero) across all Council functions by 2030.
- To reach carbon neutrality borough-wide by 2041.

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These targets are closely aligned with both the West Midlands Combined Authority and the West Midlands Pension Fund.

Our Climate Change Strategy includes an Action Plan to get us to our target position of net zero carbon emissions.

Our ambition by 2030 is for all Council Owned Buildings and Schools to be de-carbonised, in addition to the replacement of all our vehicle fleet with electric vehicles.

Key Risks

2022-23 has been a challenging year for Sandwell Metropolitan Borough Council with continuing impacts to our services in the immediate aftermath of the pandemic and as a result of the economic shocks of the war in Ukraine and labour shortages resulting in high inflationary rises to costs and contracts and utilities costs as well as leading to higher demand for our services particularly in housing and revenues and benefits teams.

The year also featured some turbulence on the national political state with two changes of Prime Minister and a raft of national legislation delivered with many policies impacting local government.

The Council has played a key role locally in delivering the Homes for Ukraine programme and the Household Support Fund in response to the cost of living crisis.

The following key risks have been identified:

Financial Risks

- **Budget pressures** in order to secure sufficient funding for the substantial investment needed in order to replace the whole of the Council's vehicle fleet with electric vehicles (Approx.500 Vehicles) together with securing sufficient grid capacity for the charging of those vehicles on a suitable depot site.
- The costs associated with **de-carbonising** all our council owned buildings, including schools.
- **Asset impairment and loss** of revenue funding streams arising from extreme weather conditions.
- Potential **financial impact upon future pension fund** valuations and pension contributions including covenant risk.

Enterprise Risks

- **Flooding** - Within Businesses, Homes and the wider Community
- **Heatwaves** - Heat stress and the impact on productivity.
- **Air pollution** - The protection of Employers, Employees and our Residents

Operational Model / Strategy & Resource Allocation

The Council's operating model is clearly set out in a range of documents approved by Cabinet and Council.

The delivery of these ambitious plans will depend upon bringing together a whole range of resources including:

NARRATIVE REPORT

- Our financial resources, including Council Tax, Business Rates, Housing Rents and Fees & Charges.
- Our human resources, including our commitment to invest in our highly engaged and committed workforce.
- Our physical resources, including the effective use of our land and buildings.
- Our digital resources, including our ICT infrastructure and our digital strategy including the implementation of Oracle Fusion ERP due in 2024-25.
- Our partnership resources, building on key relationships with our statutory partners.
- Our voluntary and community sector.
- The people of Sandwell.

Rounding

Because of rounding, some totals may not exactly agree with the sum of their component parts. These accounts are not adjusted for cross-casting immaterial differences between the main statements and disclosure notes.

Statement of Responsibilities for the Statement of Accounts

1. **The Council's Responsibilities**

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the S151 Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

2. **The Responsibilities of the Section 151 Officer**

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

The Section 151 Officer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Approval of the Accounts

I certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31 March 2023.

**Chair – Audit & Risk Assurance Committee
Sandwell Metropolitan Borough Council**

**Director of Finance
Sandwell Metropolitan Borough Council**

Core Financial Statements

2022/23

CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the Movement in Reserves Statement.

2021/22 Gross Expenditure £'000	2021/22 Gross Income £'000	2021/22 Net Expenditure £'000	Comprehensive Income and Expenditure Statement	2022/23 Gross Expenditure £'000	2022/23 Gross Income £'000	2022/23 Net Expenditure £'000
158,488	(78,236)	80,252	People	161,889	(84,650)	77,239
290,217	(282,409)	7,808	Adult Social Care Services	303,082	(293,331)	9,751
128,578	(33,175)	95,403	Schools	126,151	(31,888)	94,263
26,635	(27,264)	(629)	Children's Services	28,621	(27,073)	1,548
			Public Health			
			Performance			
19,644	(5,909)	13,735	Finance (Inc SIU)	21,255	(10,769)	10,486
6,306	(1,054)	5,252	Corporate Management	(743)	(570)	(1,313)
10,094	(10,842)	(748)	Law and Governance	12,160	(7,729)	4,431
14,982	(2,635)	12,347	Business Strategy and Change	17,110	(2,525)	14,585
103,990	(95,865)	8,125	Central Items	92,072	(79,459)	12,613
			Place			
7,926	(6,209)	1,717	Housing & Assets	12,484	(9,678)	2,806
40,100	(10,371)	29,729	Regeneration & Growth	32,559	(13,639)	18,920
71,665	(18,155)	53,510	Borough Economy	77,198	(19,459)	57,739
66,835	(133,540)	(66,705)	Housing Revenue Account (HRA)	56,378	(132,466)	(76,088)
945,460	(705,664)	239,796	Cost of Services	940,216	(713,236)	226,980
		(22,080)	Other Operating Expenditure (Note 10)			6,849
		72,037	Financing and Investment Income and Expenditure (Note 11)			61,404
		(345,494)	Taxation and Non Specific Grant Income (Note 12)			(348,140)
		(55,741)	(Surplus) / Deficit on Provision of Services			(52,907)
		(26,449)	(Surplus) / deficit on revaluation of non current assets			(69,160)
		(352)	(Surplus) / deficit on revaluation of financial assets			(15,656)
		(423,448)	Remeasurements of the net defined benefit liability/(asset)			(728,678)
		(450,249)	Other Comprehensive Income and Expenditure			(813,494)
		(505,990)	Total Comprehensive Income and Expenditure			(866,401)

Note: Figures for 2021-22 have been restated to reflect the Council reporting according to the Organisation Restructure in 2022-23 to allow like-for-like comparison.

CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year.

The net increase/decrease line shows the statutory General Fund balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments.

Movement in Reserves	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2022	16,614	182,561	199,175	39,327	1,308	13,867	16,595	270,273	810,469	1,080,742
Movement in Reserves During 2022/23										
Total Comprehensive Income and Expenditure	(7,567)	-	(7,567)	60,474		-	-	52,907	813,494	866,401
Adjustments between accounting basis & funding basis under regulations (Note 8)	(11,822)	-	(11,822)	(57,564)	1,575	22,314	25,551	(19,946)	19,946	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(19,389)	-	(19,389)	2,910	1,575	22,314	25,551	32,961	833,441	866,401
Transfers (to)/from Earmarked Reserves (Note 9)	21,718	(21,718)	-	-	-	-	-	-	-	-
Increase / Decrease in Year	2,329	(21,718)	(19,389)	2,910	1,575	22,314	25,551	32,961	833,441	866,401
Balance at 31 March 2023 carried forward	18,943	160,843	179,786	42,237	2,883	36,181	42,146	303,233	1,643,910	1,947,143

CORE FINANCIAL STATEMENTS

Movement in Reserves	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2021	54,981	149,914	204,895	41,286	-	15,083	5,056	266,320	308,433	574,753
Movement in Reserves During 2021/22										
Total Comprehensive Income and Expenditure	7,502	-	7,502	48,239		-	-	55,741	450,247	505,988
Adjustments between accounting basis & funding basis under regulations (Note 8)	(13,222)		(13,222)	(50,198)	1,308	(1,216)	11,539	(51,789)	51,789	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(5,720)	-	(5,720)	(1,959)	1,308	(1,216)	11,539	3,952	502,038	505,988
Transfers (to)/from Earmarked Reserves (Note 9)	(32,647)	32,647	-	-	-	-	-	-	-	-
Increase / Decrease in Year	(38,367)	32,647	(5,720)	(1,959)	1,308	(1,216)	11,539	3,952	502,038	505,988
Balance at 31 March 2022 carried forward	16,614	182,561	199,175	39,327	1,308	13,867	16,595	270,273	810,469	1,080,742

CORE FINANCIAL STATEMENTS

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

31 March 2022 £'000		ref	31 March 2023 £'000
2,308,974	Property Plant & Equipment	13	2,472,389
4,320	Heritage Assets	14	4,320
65,610	Investment Properties	15	72,658
518	Intangible Assets	17	3,201
17,517	Long Term Investments	19	33,173
4,604	Long Term Debtors	19	4,676
2,401,543	Long Term Assets		2,590,417
276	Short Term Investments	19	10,519
9,630	Assets Held for Sale	16	-
1,715	Inventories	-	1,719
90,869	Short Term Debtors	20	89,584
76,854	Cash & Cash Equivalents	22	42,237
179,344	Current Assets		144,059
(22,696)	Bank Overdraft	22	(17,878)
(83,835)	Short Term Borrowing	19	(94,124)
(133,319)	Short Term Creditors	23	(94,147)
(11,938)	Provisions	25	(8,327)
(1,669)	Revenue Grants Receipts in Advance	38	(5,409)
(9,075)	Capital Grants Receipts in Advance	38	(12,172)
(262,532)	Current Liabilities		(232,057)
(5,022)	Provisions	25	(3,976)
(396,353)	Long Term Borrowing	19	(381,414)
(822,625)	Other Long Term Liabilities	24	(156,050)
(13,613)	Capital Grants Receipts in Advance	38	(13,836)
(1,237,613)	Long Term Liabilities		(555,276)
1,080,742	Net Assets		1,947,143
270,273	Usable Reserves	MIRS	303,233
810,469	Unusable Reserves	27	1,643,910
1,080,742	Total Reserves		1,947,143

I certify that the statement of accounts presents a true and fair view of the financial position of Sandwell Metropolitan Council as at 31 March 2023 and its income and expenditure the year then ended.

Executive Director - Finance and Transformation

A Thompson

Date: 30/09/24

CORE FINANCIAL STATEMENTS

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2021/22 £'000	Cash Flow Statement	2022/23		Note Refs
		£'000	£'000	
55,741	Net surplus / (deficit) on the provision of services		52,907	CIES
85,611	Adjustments to net (surplus) / deficit on the provision of services for non cash movements		28,926	28
(46,933)	Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities		(90,982)	28
94,419	Net cash flows from Operating Activities		(9,149)	
	Investing Activities:			
(127,472)	Purchase of property, plant and equipment, investment property and intangible assets	(109,343)		
(263)	Purchase of short and long term investments	(10,270)		
19,404	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	31,004		
38,123	Other receipts from investing activities	75,727		
(70,208)	Net cash flows from Investing Activities		(12,882)	
	Financing Activities:			
229,054	Cash receipts of short and long term borrowing	254,968		
(3,639)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,231)		
(234,924)	Repayments of short and long term borrowing	(259,748)		
(1,459)	Other payments/(receipts) from financing activities	242		
(10,968)	Net cash flows from Financing Activities		(7,769)	
13,243	Net increase / (decrease) in cash and cash equivalents		(29,800)	
40,916	Cash and cash equivalents at the beginning of the reporting period		54,158	22
13,243	Net movement in cash and cash equivalents		(29,800)	22
54,158	Cash and cash equivalents at the end of the reporting period (note 19)		24,358	

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts in line with the Accounts and Audit Regulations 2015. These regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- **Revenue from contracts** with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- **Supplies** are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- **Expenses** in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- **Interest receivable** on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where **revenue and expenditure** have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected; and
- The council operates a **de-minimus level for the processing of accruals**, £10,000 for capital and £10,000 for revenue. The de-minimus policy for revenue requires that no accruals are actioned for individual amounts below £10,000; unless, for a group of similar transactions, there would be a material impact upon the accounts of not recognising the income and expenditure in the relevant accounting period.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of no more than 24 hours. Cash equivalents are highly liquid funds invested in

NOTES TO THE ACCOUNTS

call accounts and 30 days or less notice accounts from the date of acquisition, which are readily convertible to known amounts of cash with insignificant risk of change in value.

All other investments held by the council do not represent cash equivalents as they are not readily convertible to known amounts of cash with an insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

iv. **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. **Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- **Depreciation** attributable to the assets used by the relevant service.
- **Revaluation** and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- **Amortisation** of intangible assets attributable to the service.

The council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund balances by way of an adjusting transaction with the Capital Adjustment Account via the Movement in Reserves Statement.

vi. **Inventories and Long-term Contracts**

Inventories are shown in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for based on charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

vii. **Council Tax and Non-Domestic Rates**

Billing authorities act as an agent, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax

and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected is less or more than predicted.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the CI&ES is the council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the council's General Fund. Therefore, the difference between the income included in the CI&ES and the amount required under regulation to be credited to the General Fund is transferred to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the council's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayment and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CI&ES. The impairment loss is measured as the difference between carrying amount and the revised future cash flows.

viii. **Employee Benefits**

Benefits Payable During Employment

Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid monthly and charged on an accruals basis to the relevant service line of the CI&ES. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the relevant service area line in the CI&ES at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructure.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund and HRA balances to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the council are members of three separate pension schemes:

- **The Teachers' Pension Scheme**, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- **The Local Government Pension Scheme**, administered by Wolverhampton City Council; and
- **The National Health Service (NHS) Pension Scheme**

These schemes provide defined benefits to members (retirement lump sums and pensions), earned during employees' service with the council.

Teachers' and National Health Service Pension Schemes

Arrangements for both the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. The schemes are therefore accounted for as if they were defined contribution schemes with no liability for future payments of benefits being recognised in the Balance Sheet. The Schools line in the Comprehensive Income and Expenditure Statement is charged with the employer's contribution payable to teachers' pensions in the year.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the West Midlands Pension Fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.75% 2022/23, (2.70% 2021/22) based on the indicative rate of return on high quality corporate bonds.

The assets of the West Midlands Pension Fund attributable to the council are included in the Balance Sheet at fair value.

The change in the net pension's liability is analysed into the following components:

- **Service cost comprising:**
 - **Current service cost** – the increase in liabilities as a result of years of service earned this year; allocated in the CI&ES to the services for which the employees worked.
 - **Past service cost** – the increase in liabilities arising as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years; debited to the Surplus or Deficit in Net Cost of Services in the CI&ES; and
 - **Net interest expense** – the change during the period in the net defined benefit liability that arises from the passage of time; charged to the Financing and Investment Income and Expenditure line in the CI&ES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- **Remeasurements comprising:**

- **Return on plan assets** – excluding amounts included in net interest on the net defined benefit liability, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
 - **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the West Midlands Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund and HRA balances to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and HRA of being required to account for retirement benefits based on cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

ix. **Events after the Balance Sheet Date**

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

xi. **Financial Instruments**

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges are made to the Financing Investment Income and Expenditure line in the CI&ES for interest payable, are based on the carrying value of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CI&ES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CI&ES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan. The reconciliation of amounts charged to the CI&ES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Under IFRS 9, financial assets are classified based on the classification and measurement approach that reflects the business model for holding financial assets and their cashflow characteristics.

There are three main classes of financial assets. These are measured at:

- **Amortised Cost** – contractual assets that give rise on specified dates to cash flows that are solely payments of principal and interest.
- **Fair Value through Other Comprehensive Income (FVOCI)** – assets held for both collecting contractual cashflows and selling assets.
- **Fair Value through Profit and Loss (FVPL)** – assets held for any other means than collecting contractual cashflows.

Loans made to the Council at less than market rate are known as 'soft loans'. Soft loans currently held by the council were provided by Salix Finance Ltd and are primarily linked to the capital energy efficiency projects e.g. boiler replacements and street lighting. The financial effect of this concession is charged to the CI&ES representing the interest saved, over the life of the loan. Since statutory provisions require that the impact of soft loans on the General Fund balance is limited to actual interest receivable for the year, a transfer to or from the Financial Instruments Adjustment Account is made to cover the difference.

Further details relating to the fair value of financial assets and liabilities are provided in the fair value measurement section below of the accounting policies and the Financial Instruments note.

x. **Government Grants and Contributions**

Whether paid on account, by instalment or in arrears, government grants and third-party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- The council will comply with the conditions attached to the payments and
- The grants or contributions will be received.

Amounts recognised as due to the council are not credited to the CI&ES until conditions attached to the grant or contribution have been satisfied. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Receipts in Advance.

When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and nonspecific grant income (non-ringfenced revenue grants and all capital grants) in the CI&ES.

Where capital grants are credited to the CI&ES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve.

Where grants have been applied, they are posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Principal or Agent

Accounting for the S31 grants being paid to the Council by BEIS and distribution of the grants eligible to businesses will be identified (either principal or agent).

Where the Council is acting as principal, the transactions will be included in the CI&ES. The Council will determine how the grant operates to acknowledge their position as a principal or agent.

Acting as a distribution point for grant monies to other bodies and has no control over the amount of grant allocated to a recipient then the authority is acting as agent.

Where the authority has control over the distribution or amounts of the grant it would be deemed to be acting as principal. The performance obligations will be considered regarding the grants.

Where the Council acts as an agent, transactions will not be reflected in any authority's financial statements. Exceptions to this are in respect of the cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor/creditor position and the net cash position included in the finance activities in the Cash Flow statement.

Any materially sums will be stated with a separate disclosure note (income or expenses with given explanations).

Business Improvement District

A Business Improvement District (BID) scheme applies across the whole of the Authority. The Albion Business Improvement District scheme is situated within the Greets Green and Ling Ward of Sandwell and the West Bromwich BID scheme is in the West Bromwich Central Ward. These schemes are funded by a BID levy paid by non-domestic ratepayers. The council acts as principal

under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the CIES.

Community Infrastructure Levy

The council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments to the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund several infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

When CIL is received without conditions; it is recognised at the commencement date of the chargeable development in the CI&ES in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charge may be used to fund revenue expenditure.

xi. **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CI&ES.

An asset is tested for impairment whenever there is an indication that this may have occurred – any losses recognised are posted to the relevant service line(s) in the CI&ES.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CI&ES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii. **Interest in Companies and Other Entities**

The Code requires local authorities with material interests in subsidiary and associated companies and joint ventures to prepare group accounts. In the authorities own single entity accounts, the interest in companies and other entities are recorded as financial assets at cost, less any provision for losses.

The council has a financial relationship with the following companies:

- **Sandwell Children's Trust**, which is a wholly owned company of the council.
- **Sandwell Inspired Partnership Services Education Limited**. Group accounts have not been prepared for this company as it holds a minority share of 20% and it has no substantial control of its operations or assets.

xiii. **Leases**

Leases are classified as finance leases where the terms of the lease transfers substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases are recognised on the Balance Sheet at their fair value measured at the inception of the lease (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- A finance charge debited to the Financing and Investment Income and Expenditure line in the CI&ES.

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CI&ES as an expense of the services benefitting from use of the leased property, plant and equipment. Charges are made on a straight-

line basis over the life of the lease, even if this does not match the pattern of payments (e.g., if there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the CI&ES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income credited to the Financing and Investment Income and Expenditure line in the CI&ES.

The gain credited to the CI&ES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element of the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CI&ES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., if there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

On conversion to an academy from a local authority maintained school a lease is granted for 125 years. These leases are operating leases and therefore not recognised on the balance sheet.

xiv. **Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the council's arrangements for accountability and financial performance.

xv. **Capital Accounting**

Non-Current Asset Valuations

The freehold and leasehold properties in the categories Property, Plant & Equipment, Investment Assets and Assets Held for Sale have been valued by officers within Strategic Asset Management and by the council's external valuers Wilks Head & Eve LLP. The Code requires that, as a minimum, non-current assets are revalued every five years. However, it is recommended that revaluation should take place more regularly where it is determined that a five-yearly valuation is insufficient to keep pace with material changes in fair value. The council operates a five-year rolling programme, although an annual review is also undertaken to assess if there are material changes that require specific assets to be revalued more frequently.

The beacon valuations appertaining to Council Dwellings have been carried out by Savills in 2022/23 and are in accordance with the Guidance on Stock Valuation for Resource Accounting (SVRA).

Property Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PP&E).

Expenditure on the acquisition, creation or enhancement of PP&E is capitalised on an accrual basis provided it affords economic benefits or service potential to the council for more than one financial year.

As a rule, the council adopts a zero de-minimis limit in determining capital expenditure. An exception to this rule, is that only expenditure in excess of £10,000 on vehicles and plant are treated as capital expenditure, any expenditure below this limit is charged to revenue.

Assets are initially measured at cost and are then carried on the Balance Sheet using the following measurement bases:

Council Dwellings

Council dwellings are measured at current value, determined using the basis of existing use value for social housing (EUV-SH). This takes account of a social use factor of 40% determined by the Ministry of Housing, Communities and Local Government (MHCLG).

Due to the large number of dwellings held by the council it is not practical to account for each property individually and so all assets that fall into this category are grouped together under the heading of Council Dwellings and are accounted for at this higher level. When additions to the stock are made, these are revalued based on the beacon approach and social use factor of 40% is applied. Where previous revaluation gains exist, any in year revaluation losses are offset against these gains.

Community Assets

Community assets are assets that the council intends to hold in perpetuity. They have no determinable useful life and may, in addition, have restrictions on their disposal (e.g. parks, historic buildings, gallery exhibits). They are valued at historic cost, but where this information is not available the asset is valued at a nominal value of £1.

Infrastructure Assets

Infrastructure assets are inalienable assets, expenditure on which is recoverable only by continued use of the asset created (e.g. highways, footpaths). They are valued at historic cost net of depreciation.

As per CIPFA Code the Council is not required to report the gross book value accumulated depreciation for infrastructure Assets (Highways, Carriages, Bridges and Footpaths – for prior years). This temporary adaption is included from 2010/2011 Code to the 2022/2023 Code.

Assets Under Construction

These assets are held at historic cost.

Surplus Assets

Surplus assets not held for sale are measured at fair value which is the price at which an orderly transaction to sell an asset would take place between market participants at the measurement date under current market conditions. Further information on the council's fair value policy is given in fair value measurement section below.

Other Assets

All other assets that fall into the category of Property, Plant and Equipment (PP&E) are measured at current value which is the amount that would be exchanged for an asset in its existing use reflecting the service or function of the asset at the valuation date. These valuations are carried out on an existing use (EUV) basis or at depreciated replacement cost (DRC) if the specialised nature of the assets means that there is no market-based evidence to derive an EUV valuation.

Where non property assets have short useful lives and/or low value, depreciated historic cost (DHC) is used as a proxy for fair value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, gains may be credited to the CI&ES where they arise from a reversal of a loss previously charged to a service.

Decreases in values are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the reduction is offset against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the excess is charged to the relevant service line(s) in the CI&ES.

NOTES TO THE ACCOUNTS

Impairment

Assets are assessed at each year end for any indication of impairment. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the loss is offset against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the loss is charged to the relevant service line(s) in the CI&ES.
- Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the CI&ES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all PP&E assets by the systematic allocation of their depreciable amounts over their determinable finite lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community and Heritage Assets) and assets that are not yet available for use (i.e. assets under construction).

In general, depreciation is calculated on the opening balance of an asset on a straight-line basis over its estimated remaining useful life (RUL).

As a guide, the useful lives of assets falling under PP&E are as follows:

<u>Asset</u>	<u>Useful Life (Years)</u>
Carriageways and Footways	28
Structures – Bridges	80
Vehicles & Plant	7
Street Lighting	30
Street Furniture	10
Equipment	5-10

In relation to PP&E Buildings, the council has adopted a weighted average RUL that reflects the prevailing condition of individual assets based upon condition assessments carried out by the Council's Urban Design / Building Services section. The WARUL generally falls with the range of between 35 and 50 years.

Where an asset has major components, whose cost is significant in relation to the total cost of the item and which have differing estimated useful lives, these components may be depreciated separately if deemed to be material. Further details of the council's accounting policy for components can be found in accounting policy xix.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account (CAA).

Investment Properties

Investment properties are those that are used solely to generate income and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value (see accounting policy below), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CI&ES. The same treatment is applied to gains and losses on disposal. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. They are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds, the Capital Receipts Reserve.

Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CI&ES. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Asset Disposals

When an item of PP&E or an Asset Held for Sale is disposed of, the carrying amount of the asset in the Balance Sheet is written out to the Other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES, also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government.

The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or is set aside to reduce the council's underlying need to borrow. Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

NOTES TO THE ACCOUNTS

The write off disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Borrowing Costs

The council does not currently capitalise any of its borrowing costs.

xvi. **Component Accounting**

A component is a part of an item of PP&E that has a cost that is significant in relation to the total cost of the asset. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of acquisition or construction.

Significant components need only be separated out from the total asset if it depreciates at a different rate (i.e. it has a different useful life or is depreciated on a different basis).

The council have used the following significant components when calculating dwelling depreciation:

<u>Component</u>	<u>Component Breakdown (%)</u>	<u>Component Useful Life (UEL)</u>
<u>Houses and Bungalows</u>		
Building Structure	51%	60 years
Roof	8%	40 years
Heating	10%	25 years
Electrics	5%	35 years
Other	26%	60 years
<u>Flats</u>		
Building Structure	54%	60 years
Roof	7%	40 years
Heating	9%	25 years
Electrics	6%	35 years
Lift	1%	25 years
Other	23%	60 years

The council is also required to consider the concept of materiality when considering the application of componentisation to its assets and has determined that componentisation will only be applied to items of PP&E where doing so has a material impact upon the amount of depreciation to be charged to the CI&ES and Balance Sheet.

In order to assess materiality, the council has instructed WH&E to provide individual PP&E valuations on a componentised basis so that the impact upon depreciation can be determined. From the results of this process the council has concluded that componentisation would not materially affect the level of depreciation charged on any of its PP&E assets valued during 2021/22 and, as a result, has not applied componentisation to its assets in this financial year. The council will however continue to review this process annually.

In relation to Council dwellings, which are valued annually on a Beacon basis, the Council has chosen to separate out individual components for the purpose of calculating depreciation based on the above headings. The council's view is that this approach is in line with the 'Stock Valuation for Resource Accounting Guidance' and that the components selected are those that are considered

to have the greatest material impact upon depreciation and, therefore, need to be separated out from the rest of the building for depreciation purposes.

The council has also reviewed its capital expenditure in year and there are no items of material expenditure on the replacement of components that require the estimated value of the old component to be written out of the accounts.

It should be noted that when determining materiality, the council compares the cost of the new component with the total net book value of the asset. This differs slightly from the guidance which recommends that cost of the component is compared to the overall cost of the asset when determining materiality.

xvii. **Heritage Assets**

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on Property, Plant and Equipment, although some of the measurement rules are relaxed. The council's collections of heritage assets are accounted for as follows:

Historical Buildings

Most of the council's historical buildings are accounted for as operational assets as in addition to being held for their heritage characteristics, they are also used by the council to provide other services.

Museum Exhibits, Fine Art Collections & Civic Regalia

These collections are reported in the Balance Sheet using insurance valuations undertaken every ten years by external valuers or relevant experts referring to appropriate commercial markets. The assets are deemed to have indeterminable lives and a high residual value therefore the council does not consider it appropriate to charge depreciation. Acquisitions and donations are rare and where they do occur acquisitions are recognised at cost and donations at valuation.

General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical damage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment.

The disposal of heritage assets must receive prior approval from Cabinet. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of Property, Plant and Equipment.

xviii. **Minimum Revenue Provision**

Under the Local Government Act 2003, the council is required to set aside an amount from revenue as a provision for debt repayment. This amount is known as the Minimum Revenue Provision (MRP).

The calculation for supported borrowing was previously based on 4% of the adjusted Capital Financing Requirement (Outstanding Debt) for the General Fund. However, from 2016/17 onwards it was deemed more prudent to adopt the Asset Life (Equal Instalments) method where the useful life applied to the debt is based on the average useful life of the council's depreciable operational

assets. For the financial year 2022/23 Sandwell has adopted a useful life of 50 years as allowed by the latest prudential code guidance.

This method ensures that the debt will be fully repaid over a fixed number of years and gives certainty to the budget setting process in the future.

From 1 April 2008, the MRP on any new unsupported borrowing is calculated based on the life of the asset being funded. In addition to this the council may opt to make a voluntary MRP to further reduce the level of outstanding debt where resources are available to do so.

There is no statutory requirement to make an MRP for the Housing Revenue Account (HRA). However, following the introduction of the self-financing arrangements, the 30-year HRA business plan allows for HRA debt to be repaid annually. A voluntary MRP equal to the value of the HRA principal debt repayment has been set aside from revenue since the introduction of the self-financing regime in 2012/13.

xix. **Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor.

As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was offset by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

The amounts payable to the PFI operators each year are analysed into five elements:

- **Fair value of the services** received during the year; debited to the relevant service line(s) in the CI&ES;
- **Finance cost** – an interest charge on the outstanding Balance Sheet liability; debited to the Financing and Investment Income and Expenditure line in the CI&ES;
- **Contingent rent** – increases in the amount to be paid for the property arising during the contract; debited to the Financing and Investment Income and Expenditure line in the CI&ES;
- **Payment towards liability**; applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease); and
- **Lifecycle replacement costs**: relevant costs capitalised via a revenue contribution to capital and applied as additions to PP&E to recognise spend incurred. Should lifecycle works be carried out in advance or later than scheduled into the annual unitary charge, a lifecycle debtor/creditor will be recognised on the balance sheet accordingly.

xx. **Provisions, Contingent Liabilities and Contingent Assets**

Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CI&ES when the Council has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxi. **Reserves**

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance through the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to form part of the Net Cost of Services in the CI&ES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council. Full explanations are given within the Notes to the Core Financial

NOTES TO THE ACCOUNTS

Statements of the Capital Adjustment Account, the Revaluation Reserve and the Pensions Fund Reserve. Other than these the following unusable reserves apply:

- **Financial Instruments Adjustment Account**

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

- **Deferred Capital Receipts Reserve**

This holds the proceeds recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Usable Capital Receipts Reserve.

- **Collection Fund Adjustment Account**

This manages the difference arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Taxpayers compared with statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

xxii. **School Balances**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the Schools Standards Framework Act 1998, community, voluntary aided and voluntary maintained schools) lies with the Council. Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council, rather than requiring consolidation in the Group Accounts. Academies are outside of the Council's control and their transactions are not reflected in the Council's accounts.

In accordance with the schemes of delegation to schools set up in the Education Reform Act 1988, surplus/deficits against budgets can be carried forward into the following year. Any balances relating to schools are ringfenced and cannot be appropriated by the Council.

xxiii. **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service line in the CI&ES in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

xxiv. **Insurance Funding Arrangements**

For those assets and liabilities deemed appropriate to insure against, the council operates an internal insurance account to provide insurance cover where either external cover is uneconomical or unavailable.

The internal insurance account provides the following main areas of cover:

Asset Protection - The first £0.100m of loss on non-educational establishments and the first £0.500m in respect of educational establishments, the aggregate excess (cap) being £2.000m in any policy year. The council's asset protection does not cover the council's housing stock except for high-rise.

Liabilities - The first £0.250m of each claim in respect of public/products and employer's liability and pollution and the first £0.050m in respect of officials' indemnity, professional indemnity and land charges, the aggregate excess (cap) being £4.800m in any policy year across all liability sections of cover.

Motor – The first £0.155m of each motor claim for damage to a council vehicle and third-party claims. Third party losses are limited to £0.471m in the aggregate after the application of individual claim excess / non-ranking deductibles.

Fidelity Guarantee - The first £0.025m of each claim in respect of fraud committed against the council by its own employees. There is no annual aggregate excess (cap) in respect of fidelity guarantee claims.

The risks not covered by external insurance or other funding arrangements include third party fraud, the management of key partnerships and programmes and risks arising in respect of funding and resource allocation, considering the current economic climate. Where there are uninsured risks which have been identified, these risks are assessed, especially for financial impact and appropriate controls put in place to mitigate those risks.

xxv. **VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxvi. **Fair Value Measurement**

IFRS 13 requires that local authorities measure some of their non-financial assets such as surplus and investment properties and some of their financial instruments such as equity shareholdings at fair value.

The objective of the fair value approach is to estimate the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date.

The measurement assumes that the transaction takes place either:

- a. In the principal market for the asset or liability, or
- b. In the absence of a principal market, the most advantageous market.

The authority measures fair value using the same assumptions that market participants would use when pricing an asset or liability if they will act in their own economic best interest.

For non-financial assets, the authority takes into account the participants ability to generate economic benefits by using the asset in its highest and best use or selling it to another market participant that would use the asset in its highest and best use.

When determining fair value, the authority's valuers use techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

These inputs are categorised within the fair value hierarchy as follows:

- **Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can assess at the measurement date.
- **Level 2** – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** – unobservable inputs for the asset or liability.

The transfer date for any movement between these levels is the 31 March in each financial period.

xxvii. **Pooled Budgets**

The Better Care Fund was announced in June 2013 with the intention to drive the transformation of local services and was to be operated through pooled budget arrangements between the Council and local Clinical Commissioning Groups.

The Council is party to a pooled budget arrangement and has considered the S75 agreement. The arrangement with the Sandwell and West Birmingham Clinical Commissioning Group has been assessed as a joint operation under IFRS11.

The council is host to the arrangement however the two parties account for their own share of the pool's income, expenditure, assets and liabilities in line with the agreement and in line with respective commissioning responsibilities. Furthermore, members of the pooled budget only account for expenditure when it is spent by the pool and any cash held by the pool at year end is shared with a creditor in the host and debtor in the other parties in respect of that cash.

2. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the UK 2022-23 ("the Code") has introduced the following changes in accounting policy, which will need to be adopted fully by the Council in the 2023-24 financial statements from 1 April 2023.

The Council is required to disclose information relating to the impact of the accounting changes on the financial statements as a result of the adoption by the Code of a new standard that has been issued but is not yet required to be adopted by the Council. The Council is required to make disclosure of the estimated effect of the new standard in these financial statements.

The following accounting standards have changes next year, but these are either not relevant to the Council or the changes are expected to be minor and are not expected to make any change to the reported financial information in the accounts and will therefore not have a material effect:

- Amendments to IAS 8 (Definition of Accounting Estimates).
- Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of Accounting Policies)
- Amendments to IAS 12 (Deferred Tax related to Assets and Liabilities arising from a Single Transaction) Relates to Group Accounts.
- Amendments to IFRS 3 (Updating a Reference to the Conceptual Framework)

IFRS16 (Leases)

As permitted by the Code, the Council has chosen not to adopt this standard from 1 April 2023 and therefore no disclosures are required in these financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statements of Accounts are:

- **Private Finance Initiative (PFI) and Similar Contracts** – Based on the scope of the Code and IFRIC 12, the Council has concluded that the four PFI schemes and Serco Limited Waste Contract fall under the scope of IFRIC 12. The PFI schemes and Service Concession assets are therefore accounted for on an on-balance sheet basis. The Accounting Policy for PFI details judgements made in applying capital spend to the assets held on the Balance Sheet.
- **Accounting for Schools** - The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements on the basis of whether it owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied.

The Council has considered its accounting arrangements for each school, on a case by case basis, under the terms of:

- IAS 16, Property, Plant and Equipment;
- IAS 17, Leases; and
- LAAP Bulletin 101, Accounting for Non-Current Assets Used by Local Authority Maintained School

The Council has determined that, within its Balance Sheet, for:

- Community and Foundation/Trust Schools - all land and buildings should be recognised.
- Voluntary Controlled (VC) and Voluntary Aided (VA) - all land and buildings should be recognised except where land and buildings are owned by religious bodies.
- Academy Schools - no non-current assets should be recognised as they maintain their own financial records and are managed, controlled and funded independently of the Council.

Local authority-maintained schools, as independent entities, have responsibility for the management of their own resources. However, as their transactions are consolidated into the Council's financial statements, the Council has reviewed their activity to ensure consistency of accounting treatment.

When a school converts to academy status, an underlease between the Council and the academy is then put in place and the academy is derecognised from the Council's Balance Sheet.

Application of Valuation Deferrals

The accounting guidance requires that where there is no suitable market available, then assets of PPE are to be valued at Existing Use Value (EUV) or Depreciated Replacement Cost (DRC). Valuers then use the RICS guidance and their professional judgement and experience to determine the value of these assets.

In some circumstances, especially where lease agreements are in place, it may be necessary to apply a deferment factor to an assets value to reflect encumbrance on the freehold which can materially reduce the valuation applied to the asset.

This has been considered in relation to the Council's Leisure Centres and The Former Public building, which is currently being used as a 6th Form College, where specific contractual arrangements are in place with the occupiers.

The Council has concluded that the freehold of the assets relating to Leisure Centres have not been encumbered by these agreements and so no deferment has been applied. However, in relation to the Former Public building the freehold has been deemed to be encumbered due to the nature of the use of the building and so deferment has been applied.

Sandwell Children's Trust

On 1st April 2018 Sandwell Children's Trust (SCT) went live following the transfer of the Children's Social Care functions (whilst statutory responsibility still sits with the council).

The council has considered the guidance in IFRS 10 and have concluded that SCT is a subsidiary and that group accounts will be prepared for the following reasons:

- SCT is a 100% wholly owned company.
- The council is the primary funder of SCT.
- The council has a director and elected member on the board of SCT; and
- The expenditure for SCT amounts to approximately £81m which is a material sum compared to the council's net cost of services of £227m.

The accounts have therefore, been consolidated into the group accounts on a line by line basis.

Sandwell Children's Trust Pensions

Following legal advice from Bevan Brittan LLP (the Council's legal advisors for the setup of Sandwell Children's Trust), it has been decided that the pension liability relating to SCT will remain on the Council's balance sheet. A 'side letter' has been signed by SMBC, SCT and West Midlands Pension Fund to confirm that this is acceptable to all parties.

4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made considering historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results may be materially different from the assumptions and estimates. General fund asset valuations are carried out by Wilks Head & Eve, housing stock valuations (HRA) are carried out by Savills.

The valuation report issued by Savills's covering the HRA stock has been given based on 'material valuation uncertainty' due to Multi-storey buildings.

The items in the council's Balance Sheet at 31 March 2023 for which there may be a risk of an adjustment in the forthcoming financial year are as follows:

Asset Valuations

Housing stock

At 31 March there are 2,889 high rise dwellings available for use as social housing in the council's ownership and with an attributable EUV-SH value of £58,350,200 and a further 120 properties which are not occupied currently due to major refurbishment – Savills have indicated that 'there is greater uncertainty concerning the valuation figure than would normally be the case' in respect of these properties.

Non-Current Assets

The carrying value of non-current assets subject to valuation that did not receive a revaluation in 2022/23 totalled £64.98m. An upward movement in the market of 1% would equate to an increase in value of £0.65m.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson LLP, is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £31.036m.

However, the assumptions interact in complex ways. During 2022/23, the Authority's actuaries advised that the net pensions liability had decreased by £670.705m as a result of updated financial and demographic assumptions.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that only the assumption analysed changes, while all the other assumptions remain constant. The assumptions in life expectancy, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The actuary has confirmed that the method of preparing this sensitivity analysis has not changed since last year.

Change in assumptions at 31 March 2023	Approximate monetary amount £'000
0.1% decrease in Real Discount Rate	31,036
0.1% increase in the Salary Increase Rate	3,789
0.1% increase in the Pensions Increase Rate (CPI)	27,686
1 year increase in member life expectancy	72,216

Pension Guarantees

The Council has, over several years, changed its way of operating from being a direct provider of services to one where it purchases several services from third parties. As part of this change in service delivery model, the Council has transferred staff from the Council to the external provider under Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). The Council has agreed that staff transferring to an external provider should continue to have the right to access equivalent pension benefits to that provided whilst employed by the Council. To ensure the smooth transfer of staff, the Council has provided guarantees for contribution rates and pension deficits in respect of continuing pension provision.

The Council has decided that these pension guarantees should be treated as insurance contracts. However, no provision has been made for them in the accounts as it has been judged that the likelihood of them being called on means that they are not material. This judgement was made by considering the liabilities for the companies and the likelihood of those companies failing within the next year.

In determining a deficit on pension funds there are two different models used, namely:

- **The funding basis**, where post-employment benefit obligations are discounted to a present value based on the anticipated return from pension fund assets, or
- **The accounting basis**, where post-employment benefit obligations are discounted to a present value based on market yields for high quality corporate bonds as required by International Accounting Standard 19, Employee Benefits (IAS19).

In the event of a guarantee being called in respect of a pension deficit, the actual amount that the Council would have to meet would be determined using the funding basis. The Council has therefore assessed any provision for future pension deficit liabilities on this basis.

Non-Domestic Rates Provision

Following the introduction of the retained Business Rates scheme in April 2013, the Collection Fund is now liable for the settlement of any successful appeals lodged against the rateable value of business properties. A provision of £4.946m has been set aside for the council's share of 99%. The full provision has been based on a report from Analyse Local which is a specialist revenue forecasting tool that the Council subscribe to. The report includes total potential net losses of £6.943m.

This can be broken down as follows:

- £0.404m relates to outstanding appeals against the 2010 rating list and 100% have been included in the provision.
- £4.826m relates to outstanding check and challenge appeals against the 2017 rating list and 83.13% have been included in the provision.
- £1.632m relates to potential appeals against the 2017 rating list identified by Analyse Local and 35.55% has been included in the provision.
- £0.081m relates to potential appeals against the 2010 rating list which have been excluded as appeals can now only be lodged under certain specific circumstances and the value of these potential appeals are not considered material.

NOTES TO THE ACCOUNTS

The provision does not include any appeals in relation to a change in rateable value due to the impact of Covid 19 as these appeals are not allowed following legislation by the government.

Fair Value Measurement

When the fair value of financial and non-financial assets or liabilities cannot be measured based on quoted prices within active markets (i.e. using level 1 inputs) then other techniques are used to derive their fair value.

The authority has used earnings techniques to establish the fair value of its Birmingham Airport Shareholding and cashflow techniques to determine the fair value of its Public Works and Market Loans.

In relation to Investment and Surplus assets fair value has been derived through the market approach.

Where any of the above techniques require the valuer to apply their judgement or make assumptions there is an element of risk or uncertainty and, therefore, any changes to these assumptions could increase or decrease the fair value of the assets concerned.

It should be noted that where level 1 inputs are not available to measure fair value of financial and non-financial assets and liabilities, the authority employs relevant valuation and treasury management experts to identify the most appropriate techniques to apply. These techniques are disclosed in further detail in notes 15 and 16.

Impairment Allowances

At 31 March 2023 the council had the following balances of debtors outstanding for which appropriate impairment allowances have been made:

	Arrears (£'000)	Impairment Allowance (£'000)	%
Trade Receivables	42,489	11,809	28%
Council Tax	34,685	19,194	55%
Non Domestic Rates (Business Rates)	6,910	4,794	69%
Housing Benefit	10,082	5,882	58%
HRA	11,709	5,361	46%
Payments in Advance	23,672	-	0%
VAT	7,076	-	0%
Other	-	-	0%
Total	136,623	47,040	34%

Levels of impairment allowance are kept under review to ensure their continued adequacy.

If collection rates were to deteriorate, higher impairment allowances would be required, which would be charged to the CI&ES.

5. Material Items of Income and Expense

Pensions Contributions for 2020/21 - 2022/23

In April 2020 the Council made an upfront payment of £30.563m in respect of pension contributions for the three years from 2020/21 to 2022/23. The full payment was accounted for as a reduction in the Council's net pension liability in 2022/23, however accounting regulations require that the amount due in relation to 2022/23 of £10.102m is recognised as a cost this year. This cost is shown as a cost in the Movement in Reserves Statement in Note 9 and in the Defined Benefit Pension Schemes (Note 43).

There have been no other material items of income or expense to report in either the current year accounts or prior year comparators.

6. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts are authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

After successfully hosting the Birmingham 2022 Commonwealth Games swimming and diving events, the new Sandwell Aquatics Centre has been transformed into a state-of-the-art leisure facility, which will be run by Sandwell Leisure Trust and includes a 50 metre Olympic-size swimming pool, a 10 metre high competitive dive tower and a 25 metre dive pool, along with 1,000 spectator seats.

Work on the Aquatic centre continues and the cumulative spend to the end of August 2023 amounted to £89.3m. The centre will be revalued during 2023/24 with the year-end accounts reflecting the value in use. The centre opened to the public in May 2023.

The Council's pension actuaries have estimated that its net pension liability has reduced very significantly after the 31st March 2023, mainly as a result of an increase in corporate bond yields resulting in the application of high discount rates to the calculation of pension obligations. The actuarial report issued as at 24th April 2024 for the LGPS pension scheme estimates a net asset £54.370m as at 31st March 2024. By comparison, the net pension liability as at 31 March 2023 was estimated to be £91.341m.

The council, like many other local authorities, has been impacted by the cost of living crisis and inflationary pressures, as well as significant demographic growth, and has therefore faced a number of substantial budget pressures in recent years.

NOTES TO THE ACCOUNTS

Following the identification of a package of savings measures to be delivered from 2024/25, the council has achieved a balanced budget for 2024/25, however, the council's Medium Term Financial Strategy, published on 20th February 2024, forecasts a budget deficit which increases to £21.773m per annum by 2028/29, as a result of further pay and price inflation and demographic growth in future years.

Summary MTFS (February 2024)	2024/25 £ 000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Forecast Net Budget (Surplus)/Deficit	-	12,500	15,708	19,043	21,773

The Council will be reliant on the implementation of further savings measures in order to balance its budget in the medium term.

7. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

8. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the council to meet future Capital and Revenue expenditure.

2022/23	Usable Reserves					Total Usable Reserves £'000	Total Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000		
Adjustments to the Revenue Resources <i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>							
Pensions costs (transferred to (or from) the Pensions Reserve)	50,284	5,857	-	-	-	56,141	(56,141)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(12)	(20)	-	-	-	(32)	32
Council tax and NDR (transfers to or from Collection Fund)	(14,931)	-	-	-	-	(14,931)	14,931
Holiday pay (transferred to the Accumulated Absences Reserve)	1,598	(163)	-	-	-	1,435	(1,435)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	6,742	(19,552)	-	-	-	(12,810)	12,810
Total Adjustments to Revenue Resources	43,681	(13,878)	-	-	-	29,803	(29,803)

Continued:

NOTES TO THE ACCOUNTS

2022/23 (Continued)	Usable Reserves						Total Usable Reserves £'000	Total Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000		
Adjustments between Revenue and Capital Resources								
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(10,320)	(20,684)	31,004	-	-	-	-	
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(18,409)	-	18,409	-	-	-	
Statutory/Voluntary Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(10,070)	(1,539)	-	-	-	(11,609)	11,609	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,540)	(3,054)	-	-	-	(8,594)	8,594	
Total Adjustments between Revenue and Capital Resources	(25,930)	(43,686)	31,004	18,409	-	(20,203)	20,203	
Adjustments to Capital Resources								
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(8,690)	-	-	(8,690)	8,690	
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	(16,834)	-	(16,834)	16,834	
Application of capital grants to finance capital expenditure	-	-	-	-	(4,022)	(4,022)	4,022	
Capital Receipts from CI&ES to Capital Grants Unapplied	(29,573)	-	-	-	29,573	-	-	
Total Adjustment to Capital Resources	(29,573)	-	(8,690)	(16,834)	25,551	(29,546)	29,546	
Total Adjustments	(11,822)	(57,564)	22,314	1,575	25,551	(19,946)	19,946	

NOTES TO THE ACCOUNTS

2021/22	Usable Reserves					Total Usable Reserves £'000	Total Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000		
Adjustments to the Revenue Resources							
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>							
Pensions costs (transferred to (or from) the Pensions Reserve)	55,442	7,854				63,296	(63,296)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(6)	(19)				(25)	25
Council tax and NDR (transfers to or from Collection Fund)	(27,132)					(27,132)	27,132
Holiday pay (transferred to the Accumulated Absences Reserve)	(1,789)	(5)				(1,794)	1,794
Equal pay settlements (transferred to the unequal Pay/Back Pay Account)						-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(6,367)	(4,120)				(10,487)	10,487
Total Adjustments to Revenue Resources	20,148	3,710	-	-	-	23,858	(23,858)

Continued:

2021/22 (Continued)	Usable Reserves	
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NOTES TO THE ACCOUNTS

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(432)	(18,972)	19,404			-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						-	-
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	2,697		(2,697)			-	-
Posting of HRA resources from revenue to the Major Repairs Reserve		(17,252)		17,252		-	-
Statutory/Voluntary Provision for the repayment of debt (transfer from the Capital Adjustment Account)	(14,153)	(13,885)				(28,038)	28,038
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(9,934)	(3,798)				(13,732)	13,732
Total Adjustments between Revenue and Capital Resources	(21,822)	(53,908)	16,707	17,252	-	(41,770)	41,770
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure			(17,923)			(17,923)	17,923
Use of the Major Repairs Reserve to finance capital expenditure				(15,944)		(15,944)	15,944
Application of capital grants to finance capital expenditure					(9)	(9)	9
Capital Receipts from CI&ES to Capital Grants Unapplied	(11,548)				11,548	-	-
Total Adjustment to Capital Resources	(11,548)	-	(17,923)	(15,944)	11,539	(33,876)	33,876
Total Adjustments	(13,222)	(50,198)	(1,216)	1,308	11,539	(51,789)	51,789

NOTES TO THE ACCOUNTS

9. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2022/23.

The balances ring fenced for schools are also included below:

Earmarked Reserves	Opening Balance 1 April 2021	Transfer Out 2021/22	Transfer in 2021/22	Balance 31 March 2022	Transfer Out 2022/23	Transfer in 2022/23	Closing Balance 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Balances							
S31 Relief Grant	34,390	(16,026)	0	18,364	(17,966)	0	398
COVID Emergency Funding (S31 Business Rates Grant)	20,246	(3,314)	0	16,932	(6,041)	0	10,891
COVID Emergency Funding Grants	12,080	(1,604)	2,698	13,174	(3,402)	0	9,772
Better Care Fund	8,952	0	1,709	10,661	0	4,396	15,057
Insurance Reserve	8,874	(1,643)	0	7,231	0	1,256	8,487
Public Health Reserve	7,862	0	1,618	9,480	(1,135)	0	8,345
BSF PFI Sinking Fund Reserves	7,269	0	776	8,045	0	0	8,045
Sinking Fund Reserves	2,248	(591)	169	1,826	0	369	2,195
Oracle Fusion	638	(638)	0	0	0	0	0
Serco Contract	3,816	0	0	3,816	(188)	0	3,628
Adults Social Care Grant	1,047	0	2,699	3,746	0	162	3,908
Finance General Reserve	1,031	(860)	0	171	0	332	503
SCT Reserve (a)	77	(32)	0	45	(32)	0	13
Dartmouth Park HLF	318	(53)	0	265	(8)	0	257
Teaching for Public Health Network	405	0	97	502	(121)	0	381
West Midland Regional Research	234	0	2,068	2,302	(621)	0	1,681
Integrated Care Records	171	(171)	0	0	0	0	0
Private Sector Housing Reserve	142	0	300	442	0	1,171	1,613
Regeneration & Economy Reserve	90	0	1,500	1,590	0	787	2,377
Elections (Fallow year)	268	0	968	1,236	(466)	0	770
Borough Economy General Reserve	105	0	1,547	1,652	(779)	0	873
Aquatics Centre	100	0	0	100	0	0	100
Brexit Funding	73	(73)	0	0	0	0	0
Proceeds of Crime Act	39	0	794	833	0	8	841
Physical Activity Board	24	(24)	0	0	0	0	0
Business Rates Volatility	0	0	7,000	7,000	(1,013)	0	5,987
Regeneration & Growth Capital Projects Support	0	0	6,777	6,777	(1,071)	0	5,706
Aquatic Centre - Replacement	0	0	4,000	4,000	(300)	0	3,700
Oracle Fusion	0	0	3,231	3,231	0	708	3,939
Invest to Save Reserve	0	0	3,000	3,000	(658)	0	2,342
SCT Reserve (b)	0	0	2,636	2,636	(1,578)	0	1,058
Cost of Exit Packages	0	0	2,052	2,052	(600)	0	1,452
Commonwealth Games	0	0	1,793	1,793	(1,664)	0	129
ICT Refresh	0	0	1,747	1,747	(1,747)	0	0
Kickstart Revaluation Reserve	0	0	1,553	1,553	0	197	1,750

NOTES TO THE ACCOUNTS

Earmarked Reserves Continued	Opening Balance 1 April 2021	Transfer Out 2021/22	Transfer in 2021/22	Balance 31 March 2022	Transfer Out 2022/23	Transfer in 2022/23	Closing Balance 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Finance Corporate Improvement	0	0	1,537	1,537	(482)	0	1,055
Cemetery Reserve	0	0	1,446	1,446	0	0	1,446
Pay Award	0	0	1,000	1,000	0	0	1,000
Business Strategy & Change General Reserve	0	0	715	715	0	154	869
New Asset Register System	0	0	500	500	(169)	0	331
Forge Mill Farm Demolition	0	0	230	230	(3)	0	227
School Repairs Reserve	0	0	120	120	0	0	120
Post LAC Pupil Premium Grant	0	0	114	114	0	0	114
Leaders Office	0	0	100	100	(100)	0	0
Borough Economy Grant Reserve	0	0	11	11	0	180	191
Social Care Grant	0	0	0	0	0	2,439	2,439
Financial Planning Reserve	0	0	0	0	0	3,786	3,786
Climate Change Reserve	0	0	0	0	0	600	600
Dedicated Schools Grant Reserve	0	0	0	0	0	5,500	5,500
Serco Reserve	0	0	0	0	0	905	905
Total General Fund Earmarked Reserves	110,499	(25,029)	56,505	141,975	(40,145)	22,950	124,780
Schools Balances	39,414	0	1,175	40,589	(4,524)	0	36,065
Total Earmarked Reserves General Fund	149,913	(25,029)	57,680	182,564	(44,670)	22,950	160,843
HRA Earmarked Reserves	41,286	(1,959)	0	39,327	0	2,910	42,237
Major Repairs Reserve	0	0	1,308	1,308	0	1,575	2,883
Total Earmarked Reserves HRA	41,286	(1,959)	1,308	40,635	0	4,486	45,120

10. CIES - Other Operating Expenditure

2021/22 £'000		2022/23 £'000
12,980	Levies	13,207
2,697	Payments to the Government Housing Capital Receipts Pool	-
(2,365)	Net (Gains) and Losses on the Disposal of Non-Current Assets	(6,358)
(35,392)	Net (Gains) and Losses on the Disposal of Equity	-
(22,080)		6,849

11. CIES - Financing and Investment Income and Expenditure

2021/22 £'000		2022/23 £'000
29,684	Interest Payable and Similar Charges	27,278
29,240	Net Interest on the Net Defined Benefit Liability (Asset)	29,338
(1,715)	Interest (Receivable) and Similar Income	(1,473)
(2,839)	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	(3,049)
22,674	Derecognition of Schools on Conversion to Academies	17,252
(4,318)	Net (Gains) and Losses on Fair Value Adjustments on Investment Properties	(7,635)
(689)	Net (Gains) and Losses on Fair Value Adjustments on Financial Assets	(307)
72,037		61,404

12. CIES - Taxation and Non-Specific Grant Income and Expenditure

2021/22 £'000		2022/23 £'000
(112,447)	Council Tax Income	(116,266)
(127,997)	Non-Domestic Rates Income and Expenditure	(136,567)
(49,521)	Non-Ringfenced Government Grants	(35,329)
(55,529)	Capital Grants and Contributions	(59,978)
(345,494)		(348,140)

NOTES TO THE ACCOUNTS

13. Property, Plant and Equipment

The following tables show the in-year movements in valuation, accumulated depreciation and impairments over the year for Property, Plant and Equipment.

Movements in 2022/23	Council dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Assets under Construction £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2022	1,218,471	703,759	96,517	102,024	18,994	23,825	2,163,590
Adjustment to opening balance	-	-	(192)	-	-	-	(192)
Revised At 1 April 2022	1,218,471	703,759	96,325	102,024	18,994	23,825	2,163,398
Additions	43,702	6,795	6,605	33,001	649	-	90,752
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	54,903	-	-	-	4,688	59,591
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	29,918	9,932	-	-	-	2,654	42,504
Derecognition – Disposals	(14,517)	-	(274)	-	-	(71)	(14,862)
Derecognition – Other	-	(17,517)	(1,051)	(78)	-	(303)	(18,949)
Transfers	4,150	15,542	-	(23,859)	5,730	(1,048)	515
At 31 March 2023	1,281,724	773,416	101,605	111,088	25,373	29,745	2,322,949
Accumulated Depreciation and Impairment							
At 1 April 2022	-	(3,777)	(74,313)	(4,406)	(54)	(4)	(82,554)
Adjustment to opening balance	-	-	192	-	-	4	196
Revised At 1 April 2022	-	(3,777)	(74,121)	(4,406)	(54)	-	(82,358)
Depreciation charge	(17,873)	(12,647)	(4,996)	-	-	(15)	(35,531)
Depreciation written out to the revaluation reserve	-	11,188	-	-	-	4	11,192
Depreciation written out to the Surplus/Deficit on the Provision of Services	17,617	3,659	-	-	-	1	21,277
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	-	-	(4,815)	-	-	(4,815)
Transfers	50	-	-	(53)	-	2	(1)
Derecognition – disposals	206	263	263	-	-	-	732
Derecognition - Other	--	-	1,051	-	-	4	1,055
At 31 March 2023	-	(1,314)	(77,803)	(9,274)	(54)	(4)	(88,449)
Net Book Value							
At 31 March 2023	1,281,724	772,102	23,802	101,814	25,319	29,741	2,234,502
At 31 March 2022	1,218,472	699,982	22,204	97,618	18,940	23,820	2,081,036

NOTES TO THE ACCOUNTS

Movements in 2021/22	Council dwellings £'000	Other Land and and Buildings £'000	Vehicles, Plant and Equipment £'000	Assets under Construction £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2021	1,146,869	655,658	101,024	68,512	18,945	28,559	2,019,567
Additions	42,346	8,889	7,661	60,877	63	250	120,086
SL&P Addition on Absorption		61,677					61,677
Revaluation increases/(decreases) recognised in the Revaluation Reserve		11,821				2,502	14,323
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	18,334	(13,706)		-		(6,277)	(1,649)
Derecognition – Disposals	(15,323)	(23,394)	(2,031)			-	(40,748)
Derecognition – Other		(38)	(10,137)			(1,260)	(11,435)
Assets reclassified - Transfers In/Out	26,246	2,868		(27,365)	(14)	52	1,787
Other movements in cost or valuation		(16)	-	-	-	-	(16)
At 31 March 2022	1,218,472	703,759	96,517	102,024	18,994	23,825	2,163,592
Accumulated Depreciation and Impairment							
At 1 April 2021	-	(5,321)	(80,589)	(83)	(54)	(45)	(86,092)
Depreciation charge	(16,812)	(13,525)	(5,892)			(27)	(36,256)
Depreciation written out to the revaluation reserve		12,100		-		28	12,128
Depreciation written out to the Surplus/Deficit on the Provision of Services	16,615	947		85		38	17,685
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services		1,294		(4,408)		-	(3,114)
Transfers	(8)	78		-		(69)	-
Derecognition – disposals	205	632	2,031			70	2,938
Derecognition - Other			10,137				10,137
Other movements in depreciation and impairment		18	-	-		-	18
At 31 March 2022	-	(3,777)	(74,313)	(4,406)	(54)	(5)	(82,556)
Net Book Value							
At 31 March 2022	1,218,472	699,982	22,204	97,618	18,940	23,820	2,081,036
At 31 March 2021	1,146,869	650,336	20,435	68,429	18,891	28,514	1,933,475

Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets (Local Government Circular 09/2022 Statutory Override), this note does not include disclosure of gross and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

SMBC has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

2021/22 £'000	<i>Analysis of movement on net carrying amount:</i> Net Book Value (modified historical cost)	2022/23 £'000
225,136	at 1 April	227,938
11,297	Additions	18,196
(8,548)	Depreciation	(8,247)
53	Other movements	-
227,938	Balance at 31 March	237,887

14. Heritage Assets

The council will undertake a valuation exercise for the financial year ended 31st March 2028 in accordance with its policy to revalue Heritage assets formally every 10 years. The carrying value as at 31 March 2023 is £4.32m pending the conclusion of this valuation exercise.

Art Collection

An art collection displayed at Ingested Hall Residential Arts Centre was last valued in 2017/18 by Biddle & Webb who provided a valuation of £1.402m. The remainder of the council's art collection was also reviewed in 2017/18.

17th Century Furniture

The council's museums display some fine examples of 17th century furniture. The furniture collection held at Ingestre Hall Residential Arts Centre was last valued in 2017/18 by Biddle & Webb who provided a valuation of £0.184m. The remainder of the council's furniture collection was also reviewed in 2017/18.

Civic Regalia & Presentational Silver

The civic regalia and presentational silver are assets that have been donated to or purchased by the council, which currently amount to over 100 items. Valuations provided by Factorings in 2017/18 estimated the collection held at the Mayors Parlour to be worth £1.413m with the remaining collection.

Other

The council holds other miscellaneous heritage assets including a collection of Ruskin pottery which was last valued at £0.081m and the Helen Caddick Ethnographical Collection estimated to be worth £0.075m.

NOTES TO THE ACCOUNTS

The council has additional heritage assets which are not disclosed in the Balance Sheet as either cost or valuation information is not available and due to the diverse nature of the assets there is a lack of comparable markets. The council considers that the benefits of obtaining the valuation for these assets would not justify the cost.

15. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CI&ES.

2021/22 £'000	Income and Expenditure	2022/23 £'000
(3,556)	Rental income from investment property	(3,874)
717	Direct operating expenses arising from investment property	825
(2,839)	Net (gain) / loss	(3,049)

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property nor to repair, maintain or enhance it.

The following table summarises the movement in the fair value of investment properties over the year:

2021/22 £'000	Movement in the fair value of investment	2022/23 £'000
63,409	Balance at start of the year	65,610
249	Additions	-
(526)	Disposals	(72)
4,318	Net gains / (losses) from fair value adjustments	7,635
-	Transfers	(515)
(1,840)	Other movement in the FV of Investment Property	-
65,610	Balance at the end of the year	72,658

16. Assets Held for Sale

The following table shows the movement in the valuation of Assets Held for Sale over the year.

2021/22 £'000	Assets Held for Sale	2022/23 £'000
9,753	Balance at start of year	9,630
-	Assets newly classified as held for sale: Property Plant and Equipment	-
(44)	Revaluation	-
(79)	Assets sold	(9,630)
9,630	Balance at year end	-

17. Intangible Assets

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and therefore not accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include corporate software applications and licences. The council does not have any internally generated assets.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful life assigned to the major software suites used by the council is five years.

The carrying value of intangible assets is amortised on a straight line basis. The movement on Intangible Asset balances during the year is as follows:

2021/22 £'000	Intangible Assets	2022/23 £'000
978	Balance at start of year	518
130	Purchases	2,937
(590)	Amortisation for the period	(254)
518	Net carrying amount at end of year	3,201
19,739	Comprising: Gross carrying amount	22,678
(19,221)	Accumulated amortisation	(19,477)
518		3,201

18. Current Value of Non-Current Assets

Movement in the Current Value of Non-Current Assets

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip	Community Assets	Assets under Construction	Surplus Assets	Infrastructure Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historical Cost		15,542	23,802	25,319	101,813		237,887	404,363
Valued at Current Value as at:								
31 March 2023	1,281,724	707,408				29,450		2,018,582
31 March 2022		29,196				291		29,487
31 March 2021		9,833						9,833
31 March 2020		6,425						6,425
31 March 2019		3,697						3,697
Total Cost or Valuation	1,281,724	772,101	23,802	25,319	101,813	29,741	237,887	2,472,387

Fair Value Measurement of Investment Properties & Surplus Assets

The authority's valuer has categorised its Investment Properties and Surplus Assets into the following headings:

- Community Centres, Leased to Voluntary Bodies, Social Clubs.
- Cleared site, Compound, Potential Residential Sites, Vacant Sites.
- Depots, Industrial.
- Land.
- Planning Shops/Sites, Shops.
- Farms; and
- Offices.

When determining the fair value of these assets the valuers have used the following inputs:

- Market Rental and Sales Values.
- Yields.
- Void and letting periods.
- Size.
- Configuration, Proportions and Layout.
- Location, Visibility and Access.
- Condition.
- Lease Covenants; and
- Obsolescence.

When applied to the fair value hierarchy the valuers have concluded that:

Level 1 – Quoted Prices

There are no assets within the portfolio whose fair value have been derived through Level 1 inputs.

Level 2 – Significant Observable

The valuations for Land (including Farmland & Development), Office, Community Centres, Industrial and Retail assets have been based on the market approach using current market conditions and recent sale prices and other relevant information for similar assets. Market conditions for these asset types are such that the level of observable inputs is significant and should be categorised at Level 2.

Level 3 – Significant Unobservable

The valuers have had to draw on several their own assumptions and utilised third-party resources to derive a fair value for these assets. These assets are therefore categorised at Level 3, as the measurement technique uses significant unobservable inputs.

Fair Value Hierarchy

Details of the authority's investment and Surplus Assets and where they sit within the fair value hierarchy are shown in the following table:

NOTES TO THE ACCOUNTS

Fair Value Hierarchy 2022/23	(Quoted Prices) Input Level 1 £000's	Observable Input Level 2 £000's	Unobservable Input level 3 £000's	Fair Value 31st March 2023 £000's
Fair Value Category				
Investment Properties:				
Cleared Sites	-	174		174
Community Assets	-	-		-
Compounds	-	1,470		1,470
Industrial Sites	-	7,490		7,490
Land	-	16,311		16,311
Managed Workspace	-	209		209
Office	-	159		159
Retail Sites	-	38,641		38,641
Shops	-	7,991		7,991
Vacant Sites	-	214		214
Total Investment	-	72,659		72,659
Surplus Assets:				
Car Parks	-	179		179
Depots	-	620		620
Land	-	26,290		26,290
Vacant Sites	-	2,652		2,652
Total Surplus	-	29,741		29,741
Total	-	102,400		102,400

Fair Value Hierarchy 2021/22	(Quoted Prices) Input Level 1 £000's	Observable Input Level 2 £000's	Unobservable Input level 3 £000's	Fair Value 31st March 2022 £000's
Fair Value Category:				
Investment Properties:				
Car Parks	-	-	-	-
Cleared Sites	-	206	-	206
Community Assets	-	95	-	95
Compounds	-	1,414	-	1,414
Depots	-	-	-	-
Farms	-	-	-	-
Industrial Sites	-	7,549	-	7,549
Land	-	14,607	-	14,607
Managed Workspace	-	175	-	175
Office	-	161	-	161
Retail Sites	-	33,417	-	33,417
Shops	-	7,644	-	7,644
Vacant Sites	-	342	-	342
Total Investment	-	65,610	-	65,610
Surplus Assets:				
Car Parks	-	153	-	153
Depots	-	254	-	254
Land	-	13,832	-	13,832
Vacant Sites	-	9,581	-	9,581
Total Surplus	-	23,820	-	23,820
Total	-	89,430	-	89,430

Community centres have transferred from level 3 to level 2 during 2021/22. There has been no change in the valuation techniques used to determine fair value.

NOTES TO THE ACCOUNTS

Reconciliation of Fair Value Measurements– Level 3

As required by the Code, the movement in Level 3 inputs within the fair value hierarchy are detailed in the following table:

Investment: Community Centres Categorised Within Level 3

31 March 2022 £000's		31 March 2023 £000's
256	Opening Balance	-
(256)	Transfers From Level 3 to Level 2	-
-	Closing Balance	-

It should be noted that the gains and losses arising from changes in fair value of investment properties are recognised within the Financing and Investment Income and Expenditure line of the CI&ES.

The fair value of the authority's Investment and Surplus Assets are measured and reviewed annually.

The council's valuations are undertaken by external valuers in accordance with the following guidance relating to asset valuations for accounting purposes:

- **Royal Institution of Chartered Surveyors (RICS)** – Professional Standards (The Red Book)
- **International Financial Reporting Standards (IFRS)**
- **Chartered Institute of Public Finance and Accounting Code (CIPFA)** of Practice on Local Authority Accounting

The authority's valuation experts work closely with finance officers who report directly to the Director of Finance on a regular basis regarding valuation matters.

19. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets:

Financial Assets - Financial Instrument Balances (IFRS9)	Non Current				Current			
	Investments		Debtors		Investments plus Cash and Cash Equivalents		Debtors	
	31 March 22 £'000	31 March 23 £'000	31 March 22 £'000	31 March 23 £'000	31 March 22 £'000	31 March 23 £'000	31 March 22 £'000	31 March 23 £'000
Amortised Cost	84	84	2	-	77,130	52,756	32,556	30,680
Fair Value through Profit & Loss	-	-	4,601	4,676	-	-	-	-
Fair Value through Other Comprehensive Income	17,433	33,089	-	-	-	-	-	-
Total Financial Assets	17,517	33,173	4,603	4,676	77,130	52,756	32,556	30,680
Non Financial Assets included on the Balance Sheet	-	-	-	-	-	-	58,313	58,904
Total Balance Sheet	17,517	33,173	4,603	4,676	77,130	52,756	90,869	89,584

NOTES TO THE ACCOUNTS

Financial Liabilities:

	Non Current				Current			
	Borrowings		Creditors and Liabilities		Borrowings		Creditors	
	31 March 22	31 March 23	31 March 22	31 March 23	31 March 22	31 March 23	31 March 22	31 March 23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost	(396,353)	(381,414)	(65,476)	(61,390)	(83,835)	(94,124)	(144,582)	(103,967)
Total Financial Liabilities	(396,353)	(381,414)	(65,476)	(61,390)	(83,835)	(94,124)	(144,582)	(103,967)
Non Financial Liabilities included on the Balance Sheet	-	-	(757,149)	(94,661)	-	-	(11,433)	(8,058)
Total Balance Sheet	(396,353)	(381,414)	(822,625)	(156,051)	(83,835)	(94,124)	(156,015)	(112,025)

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note: Accrued interest is not required for instruments measured at EIR, as this adjustment covers a full year's interest.

Fair value has been measured by:

- Direct reference to published price quotation in an active market; and/or
- Estimated using a relevant valuation technique

The Council has a number of outstanding loans from Salix Finance Ltd, that are less than market rate (soft loans). When soft loans are received, a gain is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be saved over the life of the instrument, resulting in a higher amortised cost than the outstanding principal. Interest is debited at a marginally higher effective rate of interest than the rate payable to the loan provider, with the difference serving to decrease the amortised cost of the loan on the Balance Sheet. Statutory provisions require that where material, the impact of soft loans on the General Fund Balance is the interest payable for the financial year – the reconciliation of the amounts credited and debited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instrument Adjustment Account.

The detailed soft loans information is as follows:

31 March 2022	Salix Finance Ltd	31 March 2023
£'000		£'000
2,760	Opening Balance	2,396
-	+ New Loans Granted	-
-	- Fair Value Adjustment on Initial Recognition	-
(411)	- Loans Repaid	(608)
47	+/- Other Changes	42
2,396	Balance Carried Forward	1,830

NOTES TO THE ACCOUNTS

Soft Loan Valuation Assumption

The interest rate at which the fair values of these soft loans have been recognised is arrived at by using the authority's prevailing cost of borrowing for a comparable loan at the date of the advance.

Any gains and losses that arise on derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income

With the introduction of IFRS 9 the authority has designated the following equity at 31 March 2023 as FVOCI:

Description	Nominal Value	Fair Value as at 31 March 23	Change in Fair Value during 2022/23	Dividends
	£'000	£'000	£'000	£'000
Birmingham Airport - Ordinary Shares	182	30,800	15,656	-
Birmingham Airport - Preference Shares	1,766	1,766	-	-
LEP Special Purpose Vehicle - Ordinary Shares	523	523	-	-
Investments in Equity Instruments	2,471	33,089	15,656	-

Birmingham Airport Shares – The authority holds shares in Birmingham Airport which originated through a policy initiative with other authorities to promote economic generation and tourism. As the asset is not held for trading or income generation, rather a longer-term policy initiative the equity has been designated as FVOCI.

The fair value for Ordinary Shares has seen a material increase as airport activity has increased significantly post COVID-19 which has been reflected in the latest valuation. Gains in fair value are held in an un-usable reserve on the balance sheet and are not available to fund expenditure.

LEP Special Purpose Vehicle – The Council holds an approx. 10% shareholding in Environments for Learning Sandwell PFI Ltd for an unspecified period. The company is a special purpose vehicle set up by the Local Enterprise Partnership (LEP); it is a concession contract responsible for designing, building and operating schools within Sandwell. The shares will be treated as an equity investment and as they are not held for trading, the Council has elected to classify them as FVOCI.

Gains/Losses of Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

NOTES TO THE ACCOUNTS

2021/22			2022/23	
(Surplus)/ Deficit on Provision of Services £'000	Other Comprehensive Income & Expenditure £'000		(Surplus)/ Deficit on Provision of Services £'000	Other Comprehensive Income & Expenditure £'000
		Net (gains)/losses on:		
(689)	-	Financial assets measured at fair value through profit or loss	(246)	-
995	-	Financial assets measured at amortised cost	1,019	-
-	(304)	Investments in equity instruments designated at fair value through other comprehensive income	-	(15,656)
47	-	Financial liabilities measured at amortised cost	42	-
353	(304)	Total net (gains)/losses	815	(15,656)
		Interest revenue:		
(2,710)	-	Financial assets measured at amortised cost	(1,473)	-
-	-	Other financial assets measured at fair value through other comprehensive income	-	-
(2,710)	-	Total interest revenue	(1,473)	-
26,992	-	Interest Expense	27,235	-

Fair Values of Financial Assets

For the council's shareholding in Birmingham Airport. There is no quoted market price in an active market for these shares and, therefore, the fair value has been based on an earnings approach. This valuation technique has involved the calculation of maintainable Earnings Before Interest, Taxation and Amortisation (EBITDA) based on the relevant business plan and applying multiples derived from similar listed companies.

Some of the inputs used to determine the valuation of the Birmingham Airport shares are observable, as they also include some unobservable inputs such as calculation of an earnings multiple using non-quoted information, then the instruments are classified as input level 3.

Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised Within Level 3 of the Fair Value Hierarchy for Financial Assets

The LEP loan notes value of the remaining shares held by the authority, is valued at cost. There is no market and no reliable way of revaluing the asset held; as such the LEP loan notes are classified at input level 3 and are shown with the Birmingham Airport share value in the 'Unquoted Shares' column in the table below.

With regards to the Kickstart loans, although contractual payments are determinable, they have elements based on the property market that are not; because of this, they are classified at input level 3 and are shown in the column headed 'Other' in the table below.

NOTES TO THE ACCOUNTS

The tables below detail the fair value of assets classified and reclassified by the authority at input level 3 in 2022/23 compared to 2021/22:

2022/23	Unquoted Shares	Other	Total
	£'000	£'000	£'000
Opening Balance	17,433	4,601	22,034
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Total gains/ (losses) for the period:			
recognised in Surplus or Deficit on Provision of Services	-	253	253
recognised in Other Comprehensive Income and Expenditure	15,656	-	15,656
Disposals	-	(178)	(178)
Closing Balance	33,089	4,676	37,765

2021/22	Unquoted Shares	Other	Total
	£'000	£'000	£'000
Opening Balance	17,129	4,092	21,221
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Total gains/ (losses) for the period:			
recognised in Surplus or Deficit on Provision of Services	-	617	617
recognised in Other Comprehensive Income and Expenditure	352	-	352
Disposals	(48)	(108)	(156)
Closing Balance	17,433	4,601	22,034

Fair value of Assets and Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described in the table below), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost.

Their fair value can be addressed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB, new loan rates have been applied for 2022/23. An additional note to the tables sets out the alternative fair value measurement applying the new loan rates, highlighting the impact of the alternative valuation.
- For non-PWLB loans payable, PWLB new loan rates have been applied for 2022/23 to provide the fair value under PWLB debt redemption rate procedures;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

NOTES TO THE ACCOUNTS

Financial Liabilities Not Held at Fair Value

The fair values calculated are as follows:

31 March 2022			31 March 2023	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
307,772	425,614	PWLB Debt	298,192	312,772
93,903	125,205	Non PWLB Debt	93,876	85,380
28,283	28,822	Other Local Authority Debt	41,498	41,542
2,396	2,396	Salix Loans (Interest Free)	1,830	1,830
22,696	22,696	Bank Overdraft	17,878	17,878
47,834	47,834	Other Temporary Borrowing	40,141	40,141
502,884	652,567	Total Debt	493,415	499,543
68,524	100,862	PFI & Finance Lease Liabilities	65,294	84,167
118,838	118,838	Creditors	82,184	82,184
690,246	872,267	Total Financial Liabilities	640,893	665,894

Overall, the fair value is greater than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

The Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the premature redemption rates available from the PWLB. If a value is calculated on this basis, the carrying amount of PWLB at £298.192m would be valued at £351.130m (this is the exit price for the PWLB loans including the penalty charge). If the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB and the various banks would raise a penalty charge for early redemption higher.

Financial Assets Not Held at Fair Value

31 March 2022		Fair Values of Financial Assets	31 March 2023	
Carrying Amount Restated £'000	Fair Value Restated £'000		Carrying Amount £'000	Fair Value £'000
76,880	76,880	Short Term:	52,506	52,506
250	250	Cash Equivalents plus Short Term Investments	250	250
32,556	32,556	Credit Union Loan	30,680	30,680
109,686	109,686	Total Short Term Assets	83,436	83,436
		Long Term		
84	84	Local Enterprise Partnership	84	84
-	-	Credit Union loan	-	-
2	2	Non-Current Debtors	-	-
86	86	Total Long Term Assets	84	84
109,772	109,772	Total Financial Assets	83,520	83,520

The carrying amount and the fair value of the council's short term financial assets are the same due to the short-term nature of the transactions.

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Assets held at Fair Value are not included in the above table and include the council's long-term investment in Birmingham Airport which was revalued as at the 31 March 2023 which has seen a large increase of £15.656m to £32.566m (including preference shares) and the LEP Special Purpose Vehicle which is valued at £0.523m, unchanged from prior year.

Fair Value Hierarchy for Financial Assets and Financial Liabilities

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 in the table below have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the assumptions detailed below, primarily for financial liabilities the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premiums/discount calculations.

	31 March 2023			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities held at amortised cost				
PWLB	-	298,192	-	298,192
Non-PWLB	-	175,515	-	175,515
Soft Loans	-	1,830	-	1,830
Bank Overdraft	-	17,878	-	17,878
PFI & Finance Lease Liabilities	-	65,294	-	65,294
Creditors	-	82,184	-	82,184
Total Financial Liabilities	-	640,893	-	640,893
Financial Assets at amortised cost				
Investments plus Cash & Cash Equivalents	-	52,840	-	52,840
Debtors	-	30,680	-	30,680
Total Financial Assets	-	83,520	-	83,520

	31 March 2022			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities held at amortised cost				
PWLB	-	307,772	-	307,772
Non-PWLB	-	170,020	-	170,020
Soft Loans	-	2,396	-	2,396
Bank Overdraft	-	22,696	-	22,696
PFI & Finance Lease Liabilities	-	68,524	-	68,524
Creditors	-	118,838	-	118,838
Total Financial Liabilities	-	690,246	-	690,246
Financial Assets at amortised cost				
Investments plus Cash & Cash Equivalents	-	77,214	-	77,214
Debtors	-	32,559	-	32,559
Total Financial Assets	-	109,773	-	109,773

Nature and Extent of Risk arising from Financial Instruments

Key Risks

The council's activities expose it to a variety of financial risks.

The key risks are:

- **Credit Risk** – the possibility that other parties might fail to pay amounts due to the council;
- **Liquidity Risk** – the possibility that the council might not have funds available to meet its commitments to make payments;
- **Re-financing Risk** – the possibility that the council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- **Market Risk** – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash).

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. The risk is minimised through the annual investment strategy, which is available on the Authority's website.

Credit Risk Management Practices

The authority's credit risk management is set out in the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody and Standard & Poors ratings services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

- Credit ratings of Short Term F1, Long Term A, (Fitch or equivalent rating) with the lowest available rating being applied to the criteria
- Building Societies that meet the same credit ratings as banks (above)
- UK Institutions provided with support from the UK government

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

Amounts Arising from Expected Credit Losses

The Authority's maximum exposure to credit risk in relation to its investments is £85.659m and is made up of long-term investments, short-term investments and cash & cash equivalents. Potential losses cannot be assessed generally as the risk of any institution failing to make interest payments or repay the sum will be specific to each individual institution. Recent experience has shown that

NOTES TO THE ACCOUNTS

it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.

A table to show the investments held by the Council at the 31 March 2023 is below:

Amounts as at 31 March 2022 £m	Fitch Credit Ratings (or equivalent)	Amounts as at 31 March 2023 £m
50.200	AAA	19.800
	AA	
0.651	A	10.620
	BBB	
43.771	N/A	55.239
94.622	Total	85.659

Allowances for impairment losses have been calculated (exc. LEP working capital and Credit Union loans) for investments held at 31 March 2023, applying the expected credit losses model. The expected credit loss model results in a nil value notional loss and as such, no adjustment has been made to the carrying value of these instruments in the Council's accounts.

Full provisions have been set aside for the LEP working capital loan (£0.084m) and the Credit Union loan (£0.250m) due to future uncertainties and increased risk of default.

Equity investments held at Fair Value through Other Comprehensive Income are outside the scope of impairment and therefore no impairment is required in 2022/23.

The impairment requirements do not apply to the Kickstart loans categorised as assets held at Fair Value through Profit and Loss, as current market prices are considered to be an appropriate reflection of credit risk and therefore, no further impairment will be required for this investment category in 2022/23.

During the year the authority did not write off any financial assets with contractual amounts outstanding and that are still subject to enforcement activity.

Collateral

During the reporting period the Authority has not identified any material charges of collateral held as security.

Liquidity Risk

The council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when it is needed.

The council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets provide access to longer term funds. The council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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The council does not allow credit for its customers. The past due amount in relation to its trade debtors can be analysed by age as follows;

2021/22 £'000	Financial Instruments - Aged Debt Analysis	2022/23 £'000
14,399	Less than 3 months	11,056
1,256	3 to 6 months	1,256
2,362	6 months to 1 year	1,782
9,893	More than 1 year	9,228
27,910	Total amounts overdue	23,322

Refinancing and Maturity Risk

The council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk.

The council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of fixed rate borrowings is shown below, along with the maximum limits maturing in each period as approved by council in the Treasury Management Strategy.

Principal Amount as at 31 March 2022 £m	Maturity Structure of Fixed Rate Borrowing	Principal Amount as at 31 March 23 £m	Percentage of Total Fixed Rate Debt	Approved Indicator
31.88	Less than 1 year	50.391	11.7%	10%
15.418	Between 1 and 2 years	17.254	4.0%	10%
34.577	Between 2 and 5 years	25.958	6.0%	20%
46.198	Between 5 and 10 years	42.500	9.9%	20%
22.000	Between 10 and 20 years	38.203	8.9%	20%
85.537	Between 20 and 30 years	82.646	19.2%	30%
152.235	Between 30 and 40 years	133.923	31.1%	40%
20.00	Between 40 and 50 years	20.00	4.6%	50%
20.00	Above 50 years	20.00	4.6%	90%
427.845		430.875		

The percentage of fixed rate debt with less than one year maturity is marginally above the approved indicator. This was due to interest rates being at inflated levels at the end of the financial year when there was a requirement to take borrowings for cash-flow purposes. The decision was taken to take short-term borrowing as an alternative of longer-term expensive debt which would have placed a longer term financial burden on the Council to service the debt interest.

Market Risk

Interest Rate Risk – The council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the council, depending on how variable and fixed rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- **Borrowings at variable rates** – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- **Borrowings at fixed rates** – the fair value of the borrowing liability will fall (no impact on revenue balances);
- **Investments at variable rates** – the interest income credited to the Comprehensive Income and Expenditure Statement will rise;
- **Investments at fixed rates** – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and effect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The council's long term debt and all investments are currently held at fixed rates of interest. Therefore, there would be no impact from an increase in interest rates, so there is no need for a sensitivity analysis. However, if interest rates had been 1% higher with all other variables held constant the fair value of the council's long-term debt would result in a decrease of £80.349m but this would not have any impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Price Risk – The council does not generally invest in equity shares but does have shareholdings to the value of £32.566m in Birmingham Airport and £0.523m in the Local Education Partnership. Whilst these holdings are generally illiquid, the council is exposed to losses arising in movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead, it only acquires shareholdings in return for 'open book' arrangements with the companies concerned so that the council can monitor factors that might cause a fall in the value of the specific shareholdings.

The shares have all been elected/classified as FVOCI, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1.654m gain or loss being recognised in the Financial Instrument Revaluation Reserve.

Foreign Exchange Risk – The council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

20. Short Term Debtors

31 March 2022 £'000	Short Term Debtors	31 March 2023 £'000
32,897	Trade Receivables	30,680
16,212	Council Tax	15,491
5,730	Non Domestic Rates	2,115
4,479	Housing Benefits	4,200
5,549	HRA	6,349
19,852	Payments In Advanced	23,672
44	Other	-
84,763	Total	82,507
6,106	HMRC VAT	7,077
90,869	Total	89,584

The debtor figures above are net of provisions for impairment losses of £47.039m in 2022/23, (£35.528m in 2021/22). These provisions enable the write-off of arrears on housing rents, rates, community charges, Council Tax and other Business Rates debtors. Age and collectability of debt are factors that are considered when calculating yearly impairment losses.

21. Debtors for Local Taxation

The past due but not impaired amounts for local taxation (Council Tax and Non-Domestic Rates) can be analysed by age as follows:

31 March 2022			Debtor Analysis for Local Taxation	31 March 2023		
Council Tax £'000	NNDR £'000	Total £'000		Council Tax £'000	NNDR £'000	Total £'000
6,644	3,323	9,967	Less than one year	6,378	1,801	8,179
3,843	1,366	5,209	One to two years	2,850	286	3,136
5,725	1,041	6,766	More than two	6,260	28	6,288
16,212	5,730	21,942	Total	15,488	2,115	17,603

22. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2022 £'000	Cash & Cash Equivalents	31 March 2023 £'000
26,004	Bank current accounts	21,816
50,850	Short term deposits	20,420
76,854		42,236
(22,696)	Bank Overdraft	(17,878)
54,158	Total Cash and Cash Equivalents	24,358

23. Short Term Creditors

31 March 2022 £'000	Categories	31 March 2023 £'000
109,520	Trade Payables	67,969
20,751	Other Payables	22,274
3,048	Finance Lease Creditors	3,904
133,319	Total	94,147

24. Other Long-Term Liabilities

31 March 2022 £'000	Other Long Term Liabilities	31 March 2023 £'000
65,476	Finance Lease Creditors	61,389
163	Deferred Liabilities	173
3,210	Deferred Creditors	3,147
753,776	Pensions Liability	91,341
822,625	Other Long Term Liabilities	156,050

25. Provisions

The following table shows the movements during the year in the provisions maintained by the council. These movements have been charged or generated under the appropriate headings in the service revenue accounts. These monies represent provisions for future expenses in respect of liabilities incurred in relation to the year under review and have been split between those liabilities expected to be incurred in the next 12 months (current provisions) and those expected to occur at a later date (long term provisions).

Short Term Provisions	Termination Benefits	Insurance	Collection Fund	6 Towns Credit Union Loan	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	1,460	3,458	6,770	250	11,938
Additional provisions made in 2022-23	487				487
Amounts used in 2022-23	(1,200)	(948)	(1,824)	-	(3,972)
Unused amounts reversed in 2022-23	(126)	-	-	-	(126)
Balance at 31 March 2023	621	2,510	4,946	250	8,327

Long Term Provisions	Housing	Insurance	LEP Working Capital Loan	Court House	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	610	4,328	84	-	5,022
Additional provisions made in 2022-23	-	-	-	280	280
Amounts used in 2022-23	(610)	(716)			(1,326)
Unused amounts reversed in 2022-23	-	-	-	-	-
Balance at 31 March 2023	-	3,612	84	280	3,976

NOTES TO THE ACCOUNTS

The main provisions held are:

- Since the changes to the retained **Business Rates** scheme came into effect from 1 April 2013, the council became liable for any successful rating valuation appeals. It therefore has Collection Fund provisions set aside to mitigate this liability as well as to cover any potential liabilities arising from the local Council Tax reduction scheme.
- Considering council wide restructuring required to address efficiency savings because of central government cuts, the accounts include termination benefit provisions totalling £0.621m. These provisions reflect the known costs of all **termination benefits** approved as at 31 March 2023.
- An **insurance provision** of £6.122m for previous years' asset, employee and public liability claims held in line with recommendations made within the actuarial valuation. This provision is split between current and long-term provisions of £2.510m and £3.612m respectively.
- Further details on the **council's insurance fund** can be found within Notes to the accounts, accounting policies, (Provisions, Contingent, Liabilities and Contingent Assets).

26. Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and (Note 9) to the accounts.

The table below summarises the balances on the council's Usable Reserves:

31 March 2022 £'000	Usable Reserves	31 March 23 £'000
16,613	General Fund Balance	18,943
182,562	General Fund Earmarked Reserves (including Schools Balances)	160,843
39,327	Housing Revenue Account Balance	42,237
1,308	Major Repairs Reserve	2,883
13,867	Capital Receipts Reserve	36,181
16,596	Capital Grants Unapplied	42,146
270,272	Total Usable Reserves	303,233

General Fund Balance

The council held working General Fund revenue balances of £18.943m as at 31 March 2023 compared to £16.613m the previous year.

Schools Balances

Any balances relating to schools are ring fenced and cannot be appropriated by the Council. In 2022/23 the Individual School Budgets (ISB) generated a deficit of £4.524m decreasing school balances to £36.064m.

Schools are directly funded from a Dedicated Schools Grant (DSG). In 2022/23, 23 schools overspent their DSG budget totalling £2.222m and 47 under spent totalling £4.768m. Other non-schools' budgets which are part of the overall ISB, under spent by £1.978m resulting in a total deficit of £4.524m.

Capital Receipts Reserve

The capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure. The balance on this reserve was £36.181m at the end of the year.

NOTES TO THE ACCOUNTS

Capital Grants Unapplied

The capital grants unapplied account (reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

27. Unusable Reserves

The table below summarises the balances on the council's Unusable Reserves:

31 March 2022 £'000	Unusable Reserves	31 March 2023 £'000
(263,510)	Revaluation Reserve	(325,067)
(9,180)	Financial Instrument Revaluation Reserve	(24,836)
(1,324,520)	Capital Adjustment Account	(1,394,683)
1,054	Financial Instruments Adjustment Account	1,022
763,879	Pensions Reserve	91,341
14,456	Collection Fund Adjustment Account	(475)
7,352	Accumulated Compensated Absences Adjustment Account	8,787
(810,469)	Total Unusable Reserves	(1,643,910)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets are either revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation or disposed of and the gains are realised.

2021/22 £'000	Revaluation Reserve	2022/23 £'000
(259,768)	Balance at 1 April	(263,510)
(38,918)	Upward Revaluation of Assets	(75,631)
12,469	Downward Revaluation of Assets and Impairment Losses Not Charged to the Surplus/Deficit on the Provisions of Services	6,471
(26,449)	Surplus or Deficit on Revaluation of Non-Current Assets Not Posted to the Surplus or Deficit of the Provision of Services	(69,160)
4,096	Difference Between Fair Value Depreciation and Historical Cost of Depreciation	4,418
10,150	Accumulated Gains or Assets Sold or Scrapped	3,538
8,461	Amounts Written off to the Capital Adjustment Account	(353)
(263,510)	Balance as at 31st March	(325,067)

NOTES TO THE ACCOUNTS

Available for Sale Financial Instruments Reserve

Under IFRS9, all financial assets held previously within the Available for Sale Financial Instruments Reserve have been elected to be designated as FVOCI and, as a result, all balances within the reserve have been transferred to the Financial Instruments Revaluation Reserve in 2018/19.

Financial Instrument Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its financial assets that, under IFRS9, have been elected as FVOCI.

2021/22 £'000	Financial Instrument Reserve	2022/23 £'000
(8,828)	Balance at 1 April	(9,180)
	Total (Gains) or Losses For Fair Value Through Other Comprehensive Income	
(352)	Birmingham Airport In Year Revaluation	(15,656)
(9,180)	Balance at 31 March	(24,836)

Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. *Note 8* provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

NOTES TO THE ACCOUNTS

2021/22 £'000	Capital Adjustment Account	2022/23 £'000
(1,215,677)	Restated Balance at 1 April	(1,324,520)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
49,802	Depreciation of non current assets	44,032
(18,296)	Revaluation and impairment losses/(gains) on property, plant and equipment	(60,530)
1,029	Kickstart impairment	-
10,090	Revenue expenditure funded from capital under statute	11,424
65,998	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	41,726
108,623		36,652
(21,760)	Adjusting amounts written out of the Revaluation Reserve	(7,604)
86,863	Net written out amount of the cost of non current assets consumed in the year	29,048
	Capital financing applied in the year:	
(17,923)	Use of the Capital Receipts Reserve	(8,689)
(15,944)	Use of the Major Repairs Reserve	(16,834)
(54,073)	Capital grants and contributions credited to the CI&ES that have been applied to capital financing	(41,827)
-	Applications of grants to capital financing from the Capital Grants Unapplied Account	(4,023)
(28,039)	Statutory provision for the financing of capital investment	(11,608)
(13,732)	Revenue Contributions to Capital	(8,595)
(129,711)		(91,576)
	Other Adjustments:	
(4,318)	Movements in the market value of Investment Properties debited or credited to the CI&ES	(7,635)
(61,677)	Absorption of SL&P Assets	-
(1,324,520)	Balance at 31 March	(1,394,683)

NOTES TO THE ACCOUNTS

Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The council uses the account to manage premiums/discounts paid/received on the early redemption of loans and differences in interest relating to soft loans and variable rate loans (LOBOs).

2021/22 £'000	Financial Instruments Adjustment Account	2022/23 £'000
1,078	Balance at 1 April	1,054
	Proportion of premiums/discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements:	
(52)	Discounts & Premiums	(52)
	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements:	
(20)	Market Loans (LOBOs)	(22)
48	Salix Loans (EIR Adjustment)	42
1,054	Balance at 31 March	1,022

NOTES TO THE ACCOUNTS

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible.

2021/22 £'000	Pensions Reserve	2022/23 £'000
1,124,030	Balance at 1 April	763,879
(423,446)	Remeasurements of the net defined benefit liability / (asset)	(728,678)
112,308	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	108,959
(49,013)	Employer's pensions contributions and direct payments to pensioners payable in the year	(52,819)
763,879	Balance as at 31 March	91,341

The Council made an early up front pension contribution of £30.563m in May 2020, covering the three year period 2020-21 to 2022/23. The full payment was accounted for as a reduction in the Council's net pension liability in 2020/21, however accounting regulations require that the amount due in relation to 2022/23 of £10.102m (2021/22 £10.192m) is recognised as a cost this year on its pension fund obligation. This was adjusted against the pension liability. This arrangement is an accounting requirement, part of which has been unwound in 2021/22 and again in 2022/23, fully reinstating the balance on the unusable pensions reserve. Further details are disclosed within the Pensions note.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non Domestic Rates income in the Comprehensive Income and Expenditure Statement (CI&ES) as it falls due from payers, compared with the statutory arrangements for paying amounts across to the General Fund from the Collection Fund.

The opening balance of £14.456m on this reserve has increased to (£0.475m) during the year.

Accumulating Compensated Absences Adjustment Account

This account absorbs the differences that would arise on the General Fund and Housing Revenue Account Balance by accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 December. The opening balance of £7.352m on this reserve has decreased to £8.787m during the year.

28. Cash Flow Statement

Net cash flows from operating activities include the following items:

The cash flows for operating activities include the following items:

2021/22 £ 000's		2022/23 £ 000's
1,715	Interest received	1,229
(29,240)	Interest paid	(26,244)

Adjustments to net (surplus) / deficit on the provision of services for non cash movements

2021/22 £ 000's		2022/23 £ 000's
44,831	Depreciation	43,778
(11,888)	Impairment and downward valuations	(60,277)
563	Amortisation	255
6,852	Increase/(decrease) in creditors	(35,400)
(7,590)	(Increase)/decrease in debtors	1,063
(362)	(Increase)/decrease in inventories	(4)
53,193	Movement in pension liability	46,039
65,998	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	41,726
(66,933)	Other non-cash items charged to the net surplus or deficit on the provision of services	(8,254)
84,664	Net cash flows from operating activities	28,926

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2021/22 £ 000's		2022/23 £ 000's
26,536	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(19,405)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(31,004)
(54,064)	Any other items for which the cash effects are investing or financing cash flows	(59,978)
(46,933)		(90,982)

29. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax (and rent) payers how the funding available to the authority (i.e. government grants, rents, Council Tax and Business Rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's directorates (services or departments). Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022/23	As Reported to Management £'000	Adjustments to arrive at net amount chargeable to General Fund and HRA £'000	Net Expenditure Chargeable to General Fund and HRA £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
People					
- Adults	73,437	(295)	73,142	4,097	77,239
- Schools	(1,430)	(1,727)	(3,157)	12,907	9,751
- Children's	92,231	(9,516)	82,715	11,548	94,263
- Public Health	1,613	(623)	990	557	1,548
Performance					
- Finance	10,077	(1,815)	8,262	2,224	10,486
- Corporate Management	(519)	551	32	(1,345)	(1,313)
- Law and Governance	3,459	(116)	3,343	1,088	4,431
- Business Strategy and Change	12,433	(1,172)	11,261	3,324	14,585
- Central Items	(1,751)	22,397	20,646	(8,033)	12,613
Place					
- Housing & Communities	1,031	331	1,362	1,443	2,806
- Regeneration & Growth	12,570	1,835	14,405	4,516	18,920
- Borough Economy	67,007	(17,683)	49,324	8,415	57,739
Housing Revenue Account	(7,297)	(19,369)	(26,666)	(49,422)	(76,088)
Cost of Services	262,861	(27,202)	235,659	(8,679)	226,980
Other operating expenditure	13,246	(39)	13,207	(6,358)	6,849
Financing and Investment Income and Expenditure	(17,982)	58,826	40,844	20,560	61,404
Taxation and Non Specific Grant Income	(237,897)	(35,334)	(273,231)	(74,909)	(348,140)
(Surplus)/Deficit	20,228	(3,749)	16,479	(69,386)	(52,907)

Opening General Fund & HRA Balance	(238,501)
(Surplus)/Deficit on General Fund and HRA Balance in year	16,478
Closing General Fund & HRA Balance at 31 March 2023 *	(222,023)

* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement

NOTES TO THE ACCOUNTS

2021/22	As Reported to Management £'000	Adjustments to arrive at net amount chargeable to General Fund and HRA Restated £'000	Net Expenditure Chargeable to General Fund and HRA Restated £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES Restated £'000
People					
- Adults	75,781	(750)	75,031	5,223	80,252
- Schools	(2,325)	(16,920)	(19,245)	27,053	7,808
- Children's	85,266	(21,978)	63,288	32,114	95,402
- Public Health	(866)	(458)	(1,324)	693	(630)
Performance					
- Finance	(34,843)	56,396	21,553	(7,816)	13,737
- Corporate Management	(824)	625	(199)	5,450	5,252
- Law and Governance	(904)	(105)	(1,009)	262	(748)
- Business Strategy and Change	11,945	(1,519)	10,426	1,921	12,347
- Central Items	-	8,125	8,125	-	8,125
Place					
- Housing & Communities	2,780	(7,255)	(4,475)	6,192	1,717
- Regeneration & Growth	6,989	2,298	9,287	20,442	29,729
- Borough Economy	60,312	(20,940)	39,372	14,138	53,510
Housing Revenue Account	(32,645)	(14,572)	(47,217)	(19,486)	(66,705)
Cost of Services	170,666	(17,054)	153,611	86,185	239,797
Other operating expenditure	(14,601)	27,580	12,979	(35,059)	(22,080)
Financing and Investment Income and Expenditure	12,747	91,176	103,923	(31,886)	72,037
Taxation and Non Specific Grant Income	(213,313)	(49,520)	(262,833)	(82,661)	(345,495)
(Surplus)/Deficit	(44,501)	52,181	7,680	(63,421)	(55,741)

Opening General Fund & HRA Balance
(Surplus)/Deficit on General Fund and HRA Balance in year
Closing General Fund & HRA Balance at 31 March 2022 *

(246,182)
7,681
(238,501)

30. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income & Expenditure (CI&ES). The relevant transfers between reserves are explained in the Movement in Reserves Statement.

2022/23	Capital Adjustments at Directorate level Note 1 £'000	Other Adjustments at Directorate level Note 2 £'000	Total to arrive at amount charged to the General Fund & HRA £'000	Adjustments for Capital Purposes Note 3 £'000	Net change for the Pensions Adjustments Note 4 £'000	Other Differences Note 5 £'000	Total Adjustments between Funding and Accounting Basis £'000
People:							
- Adults	(285)	(10)	(295)	291	3,877	(71)	4,097
- Schools	(7,217)	5,490	(1,727)	-	11,206	1,702	12,908
- Children's Services	(9,685)	168	(9,516)	5,945	5,618	(15)	11,548
- Public Health	(6)	(617)	(623)	6	551	-	558
Performance:							
- Finance	-	(1,815)	(1,815)	-	2,155	69	2,224
- Corporate Management	(71)	622	551	(1,343)	6	(8)	(1,345)
- Law and Governance	(116)	-	(116)	98	1,014	(24)	1,088
- Business Strategy and Change	(1,172)	-	(1,172)	1,293	2,030	2	3,324
- Central Items	-	22,397	22,397	-	(8,033)	-	(8,033)
Place:							
- Housing & Communities	-	331	331	511	917	16	1,443
- Regeneration & Growth	(1,210)	3,046	1,835	2,878	1,617	21	4,516
- Borough Economy	(14,711)	(2,972)	(17,683)	5,821	2,688	(95)	8,415
Housing Revenue Account	(20,655)	1,286	(19,369)	(34,007)	3,157	(18,572)	(49,422)
Net Cost of Services	(55,127)	27,925	(27,202)	(18,507)	26,803	(16,974)	(8,679)
Other operating exp	-	(39)	(39)	(6,358)	-	-	(6,358)
Financing and Investment Income and Expenditure	26,461	32,365	58,826	(8,747)	29,338	(31)	20,560
Taxation and Non Specific Grant Income	-	(35,334)	(35,334)	(59,978)	-	(14,931)	(74,909)
(Surplus) or Deficit	(28,666)	24,917	(3,750)	(93,590)	56,141	(31,936)	(69,386)

NOTES TO THE ACCOUNTS

2021/22	Capital Adjustments at Directorate level Note 1 Restated £'000	Other Adjustments at Directorate level Note 2 Restated £'000	Total to arrive at amount charged to the General Fund & HRA Restated £'000	Adjustments for Capital Purposes Note 3 Restated £'000	Net change for the Pensions Adjustments Note 4 Restated £'000	Other Differences Note 5 Restated £'000	Total Adjustments between Funding and Accounting Basis Restated £'000
People:							
- Adults	(596)	(155)	(751)	596	4,841	(214)	5,223
- Schools	(13,623)	(3,298)	(16,921)	6,488	22,346	(1,781)	27,053
- Children's Services	(25,873)	3,894	(21,978)	29,545	2,548	21	32,114
- Public Health	(6)	(453)	(458)	6	667	20	693
Performance:							
- Finance	-	56,396	56,396	-	(7,496)	(319)	(7,816)
- Corporate Management	95	530	625	5,436	14	-	5,450
- Law and Governance	(118)	13	(105)	118	-	143	262
- Business Strategy and Change	(1,638)	119	(1,519)	1,638	-	283	1,921
- Central Items		8,125	8,125				
Place:							
- Housing & Communities	(753)	(6,502)	(7,255)	(424)	6,764	(149)	6,192
- Regeneration & Growth	(516)	2,814	2,298	14,526	5,387	528	20,442
- Borough Economy	(21,621)	680	(20,940)	13,513	-	625	14,138
Housing Revenue Account	(9,858)	(4,714)	(14,572)	(17,157)	(1,016)	(1,313)	(19,486)
Net Cost of Services	(74,507)	57,453	(17,054)	54,284	34,056	(2,154)	86,186
Other operating exp	27,580	-	27,580	(35,059)	-	-	(35,059)
Financing and Investment Income and Expenditure	86,561	4,615	91,176	(61,102)	29,240	(24)	(31,886)
Taxation and Non Specific Grant Income	-	(49,520)	(49,520)	(55,529)	-	(27,132)	(82,661)
(Surplus) or Deficit	39,634	12,547	52,181	(97,406)	63,296	(29,311)	(63,420)

Adjustments made to Directorate reports

Note 1 – Capital Adjustments at Directorate Level

For resource management purposes, the council includes capital charges in its directorate reporting, however, this needs to be removed as it is not included in the net expenditure chargeable to the General Fund and HRA balances.

Note 2 – Other Adjustments at Directorate Level

Support service costs and impairment allowances are not included in the council's directorate reporting. This movement is included in the Net Cost of Services in the CI&ES.

The council does not include movements to/from its reserves and balances in its directorate reporting.

Adjustments made to the Net Expenditure Chargeable to the General Fund and HRA Balances

Note 3 – Adjustments for Capital Purposes

This column adds in depreciation, impairments and revaluation gains and losses in the directorate's line.

Other operating expenditure adjusts for capital disposals with a transfer of income on disposal of assets and amounts written off for those assets.

The statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from Financial and Investment Income and Expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and Non-Specific Grant Income and Expenditure is adjusted to recognise capital grant income.

Note 4 – Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services, this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs. For Financing and Investment Income and Expenditure - the net interest on the defined benefit liability is charged to the CI&ES.

Note 5 – Other Differences

Other differences between amounts debited/credited to the CI&ES and amounts payable/receivable to be recognised under statute:

- For services, this represents accumulated absences and investment properties rental income.
- For Finance and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Non Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses/deficits on the Collection Fund.

31. Expenditure and Income analysed by nature

This note provides detail of expenditure and income included within the CI&ES and is analysed by nature.

2021/22 £'000	Expenditure and Income by Nature	2022/23 £'000
	Expenditure:	
326,258	Employee Benefits Expenses	344,152
586,666	Other Services Expenses	612,573
26,307	Depreciation, Amortisation and Impairment*	(16,561)
20,309	Gain/(Loss) on Disposal of Non Current Assets	10,895
(35,392)	Gain/(Loss) on Disposal of Equity	-
58,995	Interest Payments	56,616
15,677	Precepts and Levies	13,207
51	Support Services Recharges	51
998,871	Total Expenditure	1,020,933
	Income:	
(198,548)	Fees and Charges and Other Service Income	(204,919)
(198,674)	Income from Council Tax and Business Rates	(209,152)
(653,937)	Government Grants and Contributions	(647,305)
-	Support Services Recharges	-
(3,453)	Interest and Investment Income	(12,464)
(1,054,612)	Total Income	(1,073,840)
(55,741)	Deficit on Provision of Services	(52,907)

32. Agency Services

The council is classed as an agent where the amounts of grant to be distributed and the eligibility criteria is defined by central government and the council has no discretion on who would receive these amounts. As the council is acting as an agent for central government the amounts within this section are not classed as council expenditure and therefore are not contained within the council's comprehensive income and expenditure statement.

During 2021-22 the council acted as an agent for central government for the Energy Rebate scheme which provided a fixed payment of £150.00 to council taxpayers in eligible households, those in Band A to Band D. This was a new grant distributed in 2022-23.

During 2022-23 the council received funding for an Energy Bill Support Scheme of £0.952m and an Alternative Fuel Funding Scheme of £0.65m. These were schemes operated by central government where local authorities were required to follow an eligibility criterion set by central government. These grants were not used until 2023-24.

Note that several agency grants relating to Covid 19 ended in 2021-22 and the balances held at the end of 2021-22 have been repaid to the government. These were the Local Restrictions Support Grants, Omicrom Grant and Restart Grant.

NOTES TO THE ACCOUNTS

This is summarised in the following table:

2021/22			Grant	2022/23		
Grant Received £'000	Payments £'000	Balance Held £'000		Grant Received £'000	Payments / Repaid £'000	Balance Held £'000
(4,658)	1,359	(3,299)	Local Restrictions Support Grant	-	3,299	-
(542)	542	-	Test and Trace Programme Costs	-	-	-
(1,494)	1,314	(180)	Omicron Grant	-	180	-
(12,955)	9,788	(3,167)	Restart Grant	-	3,167	-
(3,320)	3,320	-	Vaccine Grants	-	-	-
(19,188)	-	(19,188)	Energy Rebate Grant	-	19,188	-
-	-	-	Energy Bill Support Scheme Alternative Funding	(952)	-	(952)
-	-	-	Energy Bill Alternative Fuel Funding	(65)	-	(65)
(42,157)	16,323	(25,834)	Total Grants and Payments Distributed by Central Government	(1,017)	25,834	(1,017)

33. Pooled Budgets

Utilising Section 75 of the National Health Act 2006, Sandwell Council has entered into a pooled budget arrangement in relation to the better care fund (BCF) with Black Country Integrated Care Board. The services are commissioned by Sandwell Council or Black Country Integrated Care Board depending upon the needs of the client and are provided by a number of methods including internal, external and voluntary sector organisations.

During 2022/23 Sandwell MBC hosted the Better Care Fund pooled budget the objectives and performance of the pooled budget are outlined below;

Better Care Fund (BCF)

Better Care Fund (BCF) came into operation on 1 April 2015 and is hosted by Sandwell MBC with contributions from the Black Country Integrated Care Board. It aims to improve the quality and cost effectiveness of services through greater integration of health, social care and voluntary/third sector provisions.

Improved Better Care Fund Grant in 2022/23 – Grant Funding of £23,021,426

The grant is only for purposes of meeting adult social care needs; reducing pressures on the NHS, including supporting timely hospital discharges; and ensuring that the local social care provider market are supported.

As part of the agreement any deficit or surplus arising on the pooled budget at the end of each financial year will be transferred in or out of a reserve held by Sandwell Council.

The standing orders and financial regulations of the pool host applies to the management of the pool fund and the financial performance of the pool for the year ended 31 March 2023 is shown below.

NOTES TO THE ACCOUNTS

Better Care Fund 2021/22 £'000		Better Care Fund 2022/23 £'000
49,408	Gross Expenditure	54,328
(2)	Income exc. Partner Contributions	(3,490)
49,406	Net Expenditure	50,838
	Partner Contributions:	
(28,770)	Sandwell & West Birmingham CCG	(30,713)
(22,345)	Sandwell MBC - I-BCF	(24,521)
(51,115)	Total Contribution	(55,234)
(1,709)	Net (Surplus) / Deficit in Year	(4,396)
(8,952)	Reserves brought forward	(10,660)
(1,709)	Net (surplus)/deficit transferred from Reserves	(4,396)
(10,661)	Total BCF Reserves	(15,056)

34. Officers' Remuneration

Senior Employees

The following tables detail senior officers who form the Council's Management Board, including all statutory officers, whose salaries are equal to or more than £50,000 per year.

Position Title 2022/23	Salary, Fees & Allowances £	Other Emoluments £	Total Remuneration exc Pension Contributions £	Employers Pension Contribution £	Total Remuneration inc Pension Contributions £	Annualised Salary £
Kim Bromley Derry (Chief Executive) (Interim) (1)	206,550	21,924	228,474	-	228,474	268,145
Shokat Lal (Chief Executive) (2)	28,080	-	28,080	5,756	33,837	189,802
Director:						
- Adult Social Care	102,098	15	102,113	20,930	123,043	102,098
- Children and Education	114,478	-	114,478	23,468	137,946	114,478
- Finance	109,414	-	109,414	22,430	131,844	109,414
- Borough Economy	98,223	220	98,443	20,181	118,624	98,223
- Regeneration and Growth	114,478	-	114,478	23,468	137,946	114,478
- Business Strategy and Change (3)	90,930	18,855	109,785	18,641	128,425	112,506
- Law and Governance and Monitoring Officer	114,258	220	114,478	23,468	137,946	114,258
- Housing	102,098	375	102,473	20,930	123,403	102,098
- Public Health (4)	104,878	11,142	116,020	21,512	137,533	114,612
- Public Health (Acting) (5)	8,204	-	8,204	1,682	9,885	96,590

1) The Interim Chief Executive departed on 5th February 2023 (Annualised Salary £268,145)

2) The Chief Executive was appointed on 6th February 2023 (Annualised Salary £189,802)

3) The Director of Business Strategy and Change departed on 20th January 2023. The post was vacant until 31st March 2022. (Annualised Salary £112,506)

4) The Director of Public Health departed on 28th February 2023. (Annualised Salary £114,612)

5) The Director of Public Health (Acting) was started on 1st March 2023. (Annualised Salary £96,590)

NOTES TO THE ACCOUNTS

Position Title 2021/22	Salary, Fees & Allowances £	Other Emoluments £	Total Remuneration exc Pension Contributions £	Employers Pension Contribution £	Total Remuneration inc Pension Contributions £	Annualised Salary £
David Stevens (Chief Executive) (6)	51,285	316,849	368,133	10,513	378,647	153,434
Kim Bromley Derry (Chief Executive - Interim) (7)	102,596	8,872	111,468	-	111,468	160,719
Director:						
- Katharine Willmette (Adult Social Care - Interim) (8)	87,442	-	87,442	-	87,442	215,650
- Adult Social Care (9)	67,718	-	67,718	13,882	81,601	96,551
- Education, Skills and Employment (10)	8,649	272,789	281,438	1,773	283,211	105,234
- Children's Services (11)	58,516	168,622	227,138	-	227,138	139,597
- Children's Services (interim) (12)	30,003	118	30,122	5,991	36,112	90,505
- Children and Education (13)	40,332	-	40,332	8,268	48,599	113,238
- Finance (Acting) (14)	34,806	21	34,826	7,039	41,865	103,285
- Finance (15)	68,942	-	68,942	14,133	83,075	103,982
- Nick Austin (Borough Economy - Interim) (16)	126,378	-	126,378	-	126,378	228,356
- Borough Economy (17)	32,689	-	32,689	6,705	39,394	97,004
- Regeneration and Growth (Acting) (18)	40,751	-	40,751	8,230	48,981	103,292
- Regeneration and Growth (19)	61,904	-	61,904	12,690	74,595	112,975
- Business Strategy and Change	106,818	-	106,818	21,898	128,716	106,818
- Law and Governance and Monitoring Officer	112,313	240	112,553	23,073	135,626	112,313
- Housing (20)	69,535	-	69,535	14,255	83,789	96,502
- Public Health	111,205	-	111,205	22,797	134,002	111,205

6) The Chief Executive departed on 31st July 2021 (Annualised salary £153,434).

7) The Interim Chief Executive commenced on 10th August 2021 (Annualised salary £160,719) .

8) The Director of Adult Social Care (interim) departed on 26th August 2021 (Annualised salary £215,650). Salary costs were invoiced by an external Agency.

9) The Director of Adult Social Care was appointed on 19th July 2021 (Annualised salary £96,551).

10) The Director of Education and Skills departed on 30th April 2021. (Annualised salary £105,234). The post was deleted on this date.

11) The Director of Children's Services departed on 31st August 2021 (Annualised salary £139,597).

12) The Interim Director of Children's Services was appointed on 26th August 2021 and departed on 24th December 2021 (Annualised salary £90,505).

13) The Director of Children and Education was appointed on 22nd November 2021 (Annualised salary £113,238).

14) The Director of Finance (acting) ended on the 1st August 2021. (Annualised salary £103,285).

15) The Director of Finance was appointed on the 2nd August 2021 (Annualised salary £103,982).

16) The Director of Borough Economy (interim) was appointed on 11th May 2021 and departed on the 28th November 2021. (Annualised salary £228,356). The post was vacant until 10th May 2021. Salary costs were invoiced by an external Agency.

17) The Director of Borough Economy was appointed on the 29th November 2021 (Annualised salary £97,004).

18) The Director of Regeneration (acting) ended on 22nd August 2021 (Annualised salary £103,292) The post was vacant until 12th September 2021.

19) The Director of Regeneration was appointed on the 13th September 2021 (Annualised salary £112,975).

20) The Director of Housing was appointed on 12th July 2021 (Annualised salary £96,502). The post was vacant until 11th July 2021.

NOTES TO THE ACCOUNTS

Other Employees

The number of employees whose remuneration, excluding employer's pension contributions, exceeded £50,000 is shown in the table below grouped into bands of £5,000. Please note this does not include Senior Officers detailed in the previous tables.

2021/22		Remuneration Band	2022/23	
Schools	Non Schools		Schools	Non Schools
68	74	£50,000 - £54,999	66	117
35	42	£55,000 - £59,999	51	44
28	4	£60,000 - £64,999	23	13
25	13	£65,000 - £69,999	27	11
16	5	£70,000 - £74,999	18	7
13	7	£75,000 - £79,999	13	8
8	5	£80,000 - £84,999	8	6
7	8	£85,000 - £89,999	8	4
5	-	£90,000 - £94,999	5	7
1	-	£95,000 - £99,999	2	1
-	-	£100,000 - £104,999	1	1
-	-	£105,000 - £109,999	-	-
-	1	£110,000 - £114,999	-	1
-	-	£115,000 - £119,999	-	-
-	-	£120,000 - £124,999	-	-
-	-	£125,000 - £129,999	-	1
-	-	£130,000 - £134,999	-	-
-	-	£135,000 - £139,999	-	-
-	-	£140,000 - £144,999	-	-
-	1	£145,000 - £149,999	-	-
-	-	£150,000 - £154,999	-	1
-	-	£155,000 - £159,999	-	-
-	-	£160,000 - £164,999	-	-
-	-	£165,000 - £169,999	-	-
-	-	£170,000 - £174,999	-	-
206	160		222	222

35. Members Allowances

The total amount paid during 2021/22 to elected members of the council in respect of basic and special responsibility allowances was £1.419m (£1.379m in 2021/22).

36. External Audit Costs

2021/22 £'000		2022/23 £'000
-	Fees payable to Grant Thornton with regard to external services carried out by the appointed auditor for 2022/23	177
164	Fees payable to Grant Thornton with regard to external services carried out by the appointed auditor for 2021/22	-
-	Agreed Fee Variation 2019/20 External Audit	46
-	Agreed Fee Variation 2020/21 External Audit	76
-	Agreed Fee Variation 2021/22 External Audit	80
-	Agreed Fee Variation 2021/22 External Audit	87
164	Total fees for appointed Auditor	466
-	Fees payable in respect of other services provided by KPMG – Capital Pooling	53
	<u>Fees payable in respect of other services provided by Grant Thornton</u>	
6	Certification of 2018/19 Teachers Pension claim	
12	Teachers Pension Audit 2020/21	
12	Teachers Pension Audit 2021/22	8
-	Teachers Pension Audit 2022/23	9
35	Housing Benefit Audit 2020/21	-
	Housing Benefit Audit 2021/22	40
	Housing Benefit Audit 2022/23	46
20	Oracle Fusion Implementation Audit	
40	Governance Review	
30	Childrens Trust: Fees payable to Grant Thornton appointed auditor for the year 2021/22 with regards to external audit services carried out for the subsidiary audit	-
-	Value for Money Audit	26
155	Total additional fees	182
319	TOTAL	648

Note: Fee variation for 2021/22 External Audit Fee to be agreed by PSSA

37. Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG) provided by the Education Funding Agency. An element of DSG is recouped by the department to fund academy schools in the area.

DSG is ring fenced and can only be applied to meet expenditure properly included in the school's budget, as defined in the School Finance (England) Regulations 2015. The schools budget includes elements for a range of educational services provided on a council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

2022/23 The local authority reported a DSG surplus for the year. Where a DSG deficit position requires separate reporting from the general fund. Reporting a Dedicated School Grant adjustment Account "Unusable Reserves".

Dedicated Schools Grant 2022/23	Central Expenditure £000	ISB £000	Total £000
Final DSG For 2022-23 Before Academy Recoupment			399,168
Academy Figure Recouped for 2022-23			(161,249)
Total Final DSG After Academy Recoupment for 2022-23			237,919
Bought Forward From 2021-22			4,070
Less: Carry-forward to 2023/24 agreed in advance			-
Agreed Initial Budgeted Distribution in 2022-23	13,554	228,435	241,989
In Year Adjustments	-	(185)	(185)
Final Budgeted Distribution for 2022-23	13,554	228,250	241,804
Less Actual Central Expenditure	(11,577)		(11,577)
Less Actual ISB Deployed to Schools		(224,667)	(224,667)
Plus Local Authority Contribution For 2021-22	-	-	-
Carry Forward To 2023-24	1,977	3,583	5,560

38. Grant Income

The council has received several grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the grantor. The council presents Grants Receipts in Advance for capital and revenue separately and splits them between current and long-term liabilities.

The balances at each year end are as follows:

31st March 2022 £'000	Revenue Grants Receipts in Advance	31st March 2023 £'000
-	Schools High Needs Grant	2,855
-	Schools Recovery Premium Grant	462
-	Better Care Fund	450
-	Energy Bill Support Scheme	952
453	Adult Education Grant	-
255	Health Inequalities Grant	-
238	Restart Grant	-
175	Cyber Support Grant	-
548	Other Grants	690
1,669	Total	5,409

NOTES TO THE ACCOUNTS

31st March 2022 £'000	Capital Grants Receipt In Advance	31st March 2023 £'000
	Short Term:	
1,085	Renewal & Growth	1,077
321	Standards Fund	-
7,319	Other Grants	10,745
350	Other Contributions	350
	Long Term:	
3,618	Section 106	2,337
7,711	Disabled Facilities Grant	9,019
1,216	Other Grants	1,359
1,068	Other Contributions	1,121
22,688	Total	26,008

The council credited the following grants, contributions and donations to the CI&ES:

2021/22 £'000	Credited to Taxation and Non Specific Grant Income	2022/23 £'000
	Non ring-fenced government grants:	
-	New Services Grant	(7,015)
(4,516)	Covid-19 - Emergency Funding	-
(17,388)	Section 31 Business Rates Grant	(27,528)
(10,780)	Covid 19 Business Rates Relief Grant	-
(7,583)	Business Rates Covid 19 Additional Relief Fund	-
(3,587)	Local Council Tax Support Grant	-
(4,412)	Tax Income Guarantee	-
(1,255)	New Homes Bonus	(786)
(49,521)	Subtotal	(35,329)
	Capital Grants and Contributions:	
(4,458)	Local Transport Plan Grant	(6,401)
-	WMCA – Active Travel Tranche 2	(2,612)
(2,476)	Bridge Repair Grant	(2,181)
(1,486)	Schools Basic Need Grant	(8,882)
(5,344)	Schools Capital Maintenance Grant	(5,114)
(1,491)	High Needs Grant	(4,013)
(2,055)	Devolved Formula Capital Grant	(1,337)
(131)	Free Schools Grant	-
(1,472)	Homes England Grant	(579)
(21,383)	Department of Culture Media & Sports - Aquatic Centre Grant	(4,778)
(3,899)	Lottery Funding	(406)
(5,167)	Towns Fund Grant	(17,894)
(772)	Community Infrastructure Levy	(238)
-	Sandwell SHG Grant	(979)
(1,205)	PSDS Grant Heat Pump Technology	(177)
(2,057)	Other Grants	(2,146)
(2,133)	Other Contributions	(2,241)
(55,529)	Subtotal	(59,978)
(105,050)	Total Grants and Contributions Credited to Taxation and Non Specific Grant Income	(95,307)

NOTES TO THE ACCOUNTS

2021/22 £'000	Credited to Services	2022/23 £'000
	Non-Covid-19 grants and contributions	
(228,687)	Dedicated Schools Grant	(235,704)
(43,880)	Rent Rebates	(40,639)
(30,083)	Rent Allowance Subsidy	(27,759)
(25,110)	Public Health Grant	(25,816)
(17,408)	Improved Better Care Fund	(16,422)
(14,299)	Pupil Premium Grant	(14,705)
(10,083)	Grants funding REFCUS	(11,422)
(16,994)	Adult Social Care Support Grant	(22,697)
(13,535)	PFI Grants	(13,535)
(433)	Teacher Pension Grant	-
(2,972)	Universal Infant Free School Meals	(2,820)
(2,289)	Post 16 Funding	(2,402)
(153)	Teacher Pay Grant	-
(1,710)	Troubled Families	(1,846)
(1,741)	Benefit Admin Grant	(1,151)
(1,352)	PE Sports Grant	(1,319)
(1,008)	Discretionary Housing Payments	(714)
(1,387)	New Burdens Grants	(1,831)
-	Independent Living Fund	(1,025)
(3,471)	Household Support Grant	(6,824)
(1,429)	Preventing Homelessness Grant	(1,390)
(1,202)	Holiday Activities and Food Programme	(1,926)
-	Ukrainian Resettlement Grant	(1,168)
-	Discharge Fund Grant	(1,540)
-	Additional Schools Grant	(1,017)
-	Fair Cost of Care Grant	(1,247)
-	School Led Tutoring Grant	(1,339)
(9,728)	Other Government Grants under £1m	(11,976)
(46,353)	Other Contributions and Donations	(53,723)
(475,307)	Subtotal	(503,957)
	Covid-19 grants and contributions	
(3,561)	Workforce Recruitment and Retention Grant	-
(609)	Sales, Fees and Charges	-
(6,764)	Covid-19 - Emergency Funding	-
(1,544)	Covid-19 Local Support Grant	(1,779)
(2,911)	Contain, Outbreak, Management Fund	-
(841)	Test and Trace Grant	-
(2,782)	Covid 19 Catch up Package Grant	(1,878)
(927)	Infection Control Fund	-
(899)	Covid Rapid Testing Fund	-
(551)	Covid Winter Grant Scheme	-
(6,716)	Additional Restrictions Grant	-
(3,704)	Other Grants under £1m	(579)
(31,809)	Subtotal	(4,236)
(507,116)	Total Credited to Services	(508,193)

39. Related Parties

Under the Code, the council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. The council has identified the following as its related parties:

Central Government

Central Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates. Receipts in respect of Council Tax and Non-Domestic Rates are shown in the CI&ES. Details of other grants received are analysed in more detail in the Grant Income Note.

West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authorities, levy precepts on the council. In addition, a levy from the West Midlands Integrated Transport Authority totalling £13.096m and a Flood Defence levy of £0.089m were made during the financial year.

Members

A register of Members' pecuniary and non-pecuniary interests is held and is available to view on the council's website. The register has been examined and although several Elected Members serve on outside bodies that receive some form of financial support from the council, these are not all material.

Councillor Richard McVitte is a Director of Sandwell Leisure Trust. Councillor Underhill is a member of Sandwell Inspired Partnership Services Limited.

In 2022/23 payments to other organisations where Members have declared an interest totaled £1.828m and income received totaled £0.011m (excluding £1.645m Schools)

Other Organisations

The council made grants to voluntary organisations amounting to £9.058m during 2022/23.

Sandwell Leisure Trust (SLT) is a charitable company limited by guarantee that manages sports facilities and provides sports development in Sandwell. The principal income of the leisure trust is from the council, which takes the form of a management fee. This amount paid in 2022/23 was £3.270m which included the management fee and other fees. Amounts received from SLT for services provided by the council were £0.169m.

Sandwell Futures Ltd is a Local Education Partnership (LEP) established under the Building Schools for the Future (BSF) initiative. The council made total payments of £7.252m to the LEP during 2022/23 mainly relating to the building and renovation costs of schools. The council has a 10% shareholding and a £0.084m holding of 10% loan stock in the company. The council also has a direct shareholding in Environments for Learning Sandwell PFI One Ltd (the special purpose vehicle established by the LEP) and a £0.523m holding of 10% loan stock. Interest on these investments of £0.021m has been received in 2022/23.

Sandwell Inspired Partnership Services (SIPS) was established as an Industrial and Provident Society on 1 January 2013 for the delivery of support services to schools. The council made payments totaling £0.322m to SIPS in 2022/23 and received £0.056m in relation to goods and services supplied by the council to SIPS.

Sandwell is also a constituent member, together with the other six West Midlands metropolitan districts, of the **West Midlands Combined Authority (WMCA)**. In addition to the Transport Levy the council made payments totaling £1.047m to WMCA in 2022/23 and received £0.597m in relation to goods and services supplied by the council to WMCA in the same year. The WMCA wholly owns both West Midlands Rail Limited and West Midlands Growth Company, as the council is a constituent member of the WMCA it therefore owns a proportion of both companies. There have been no direct transactions between these companies and the council.

Sandwell Children's Trust was established on 1st April 2018 to provide for Sandwell's children's social care services. The council made payments totaling £77.203m to Sandwell Children's Trust (SCT) in 2022/23 and received £5.319m in relation to goods and services supplied by the council to SCT in the same year. SCT have been consolidated into the Councils group.

40. Capital Expenditure and Capital Financing

The following table shows the movement in the Capital Financing requirement for the year:

2021/22 £'000		2022/23 £'000
796,767	Opening Capital Financing Requirement	808,928
-	Opening Balance Adjustment	(8)
796,767		808,920
	Capital Investment:	
131,383	Property, Plant & Equipment*	108,948
9	Heritage assets	-
249	Investment properties	-
131	Intangible assets	2,937
10,090	Revenue Expenditure Funded from Capital under Statute	11,424
141,862		123,309
	Sources of Finance:	
(54,064)	Government grants & other contributions	(45,850)
(17,923)	Capital receipts	(8,689)
(13,732)	Direct revenue contributions	(8,595)
(28,039)	Minimum Revenue Provision	(11,609)
(15,944)	Major Repairs Reserve	(16,834)
(129,702)		(91,577)
808,927	Closing Capital Financing Requirement	840,652
	Explanation of movements in year:	
12,160	Increase /(decrease) in underlying need to borrow (unsupported by government financial assistance)	31,724
12,160	Increase/ (decrease) in Capital Financing Requirement	31,724

41. Capital Commitments

The Council has to plan its capital spending in advance of work proceeding. As at 31st March 2023 the Council had allocated resources to a five year programme covering the period 2023/24 to 2027/28 that amount to £612.100m. The main areas to where these resources have been allocated are listed below:

Capital Commitments	£'000
Housing Investment Programme	357,761
Towns Fund	55,266
School Capital Programme	54,378
Adaptations for Disabled (DFG / HRA)	45,701
Structural Maintenance Of Roads, Bridges & Lighting - Local Transport Plan	18,022
Local Network Improvement Plan (LNIP)	11,832
Property Refurbishment & PMA	10,483
Oracle Fusion	7,677
ICT End User Computing 2	7,623
Acquisition Of Vehicles	7,500
Highways Inflation Pressures	6,583
Aquatic Centre - Commonwealth Games 2022	5,603
SON to LED Lighting	4,342
New Cemetery - West Bromwich	3,707
Birchley Island	2,213
Wednesbury Health Centre - King Street	1,467

Included within the 5 year programme are amounts that are legally committed as at 31st March 2023 that amount to £7.070m.

42. Leases

Council as Lessee

The council does not have any material finance leases where it is the lessee.

The council has acquired several administrative buildings by entering operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

31/03/2022 £'000	Lessee	31/03/2023 £'000
1,118	Not later than one year	968
3,178	Later than one year and not later than five years	3,099
8,826	Later than five years	8,051
13,122	Total	12,118

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31/03/2022 £'000	Lessee	31/03/2023 £'000
	Minimum lease payments:	
117	Adult Social Care	144
-	Borough Economy	74
1,077	Housing, Regeneration and Growth	855
1,194		1,073
(78)	Less: sublease payments receivable	(74)
1,116	Total	999

The lease for Kings Square was terminated in July 2022. The impact of the termination of the lease will reduce the Council's future obligation by £7.440m, which is the projected expenditure that would have been incurred under the lease until its expiry.

Council as Lessor

The council does not have any material finance leases where it is the lessor.

The council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses. The future minimum lease payments receivable under non-cancellable leases in future years are:

31/03/2022 £'000	Lessor	31/03/2023 £'000
4,163	Not later than one year	4,281
10,399	Later than one year and not later than five years	11,111
158,380	Later than five years	156,492
172,942	Total	171,884

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered, such as adjustments following rent reviews.

43. Private Finance Initiatives and Similar Contracts

Riverside Housing

The Council entered into a 25-year agreement with Riverside Housing Association on 27 March 2006 for the refurbishment of council dwellings on the Harvill's Hawthorn and Millfield's estates. In addition to the planned refurbishments this scheme also includes 132 new build homes and 67 'Walls in Walls Out'.

The Council has the right to use the specified assets for the duration of the project agreement and the right to expect the provision of housing management services. At the end of the concession period the specified assets will transfer back to the Council in line with predetermined standards. Both parties have the right to terminate the contract should the contract no longer represent value for money. The Council has a right to terminate the agreement in instances of contractor default, persistent breach and voluntary termination. The unitary charge for 2022/23 was £8.9m (£8.5m in 2021/22).

The contract is now into the housing management & life cycle works phase, as the initial capital investment works including demolitions have been completed. Over the remainder of the contract, £14.680m will be spent on lifecycle works to maintain the homes at the level of decency as specified in the contract.

Rowley Campus

Under the national Building Schools for the Future (BSF) programme the Council entered into a 25-year agreement with Environments for Learning (E4L) for it to design, build, finance and operate the Rowley Campus. This is a co-location of the former St Michaels High School, Whitehead Pupil Referral Unit and Westminster Special School and became fully operational in June 2011.

The Council has a right to use the Rowley Campus for the length of the project agreement (25 years ending Qtr. 1 2036) and has the right to expect provision of a range of facilities management and lifecycle services. At the end of the project agreement the assets will revert to the Council's ownership. The contract for tested services (including caretaker services and portage, cleaning and waste management, grounds, gardens and playing fields maintenance, security services and catering) is to be market tested on the 10th anniversary of service commencement and every 5 years thereafter. The Council can issue a voluntary termination giving 20 days' notice or can terminate upon contractor default or persistent breach or breach of refinancing provisions. The contractor can also terminate upon default by the Council giving 30 days' notice.

The unitary charge payments made during 2022/23 totalled £7.2m (2021/22 was £7.0m).

Total Schools Solutions

The Council entered a 25-year contract in September 2003 with Total Schools Solutions Ltd to design, build, finance and operate 5 primary schools, replacing the Council's existing provision.

The Council has the right to use the 5 schools which were constructed under the contract (the last school being completed in 2004) for the length of the project agreement and has the right to expect the provision of a range of facilities management (FM) and lifecycle services. The schools will be handed back to the Council on the contract expiry date (quarter 4 2029) in a condition which complies with the hand back requirements as set out in the project agreement. The contract for the soft FM services (including general management, cleaning, ground maintenance, security, etc) is to be retendered every 5 years. The Council can issue a voluntary termination giving a notice of between 6 and 12 months or can terminate upon contractor default. The contractor can also terminate upon default by the Council within a period of 120 days following the default.

The unitary charge for 2022/23 was £2.9m (2021/22 was £2.8m).

NOTES TO THE ACCOUNTS

Portway Lifestyle Centre

The Council entered a 25-year contract with Sandwell Property Partnership (Lift Co) to design, build, finance and carry out facilities maintenance (hard only) at the Portway Lifestyle Centre, which became operational in September 2013.

The Council has a lease plus agreement giving it the right to utilise most of the building as a leisure centre and a small adult services day care centre. The remainder of the building is leased by Sandwell Property Partnership to a GP Service. The Council has the right to expect the provision of facilities management (FM) and lifecycle services and sublets its share of the building to Sandwell Leisure Trust, who are responsible for soft facilities management (caretaker, cleaning and security services).

The Council will have an option to buy the building at the contract expiry date (quarter 2 2038) and also has the right to exercise the option to purchase during the contract period, upon serving an option notice to the landlord. The Council has a right to terminate the agreement in instances of landlord default and where it is acting in line with the Strategic Service Development Plan under the Strategic Partnering Agreement, letting the premises to an acceptable tenant to the landlord or selling its interest in the site, so long as this does not create an economic disadvantage to the landlord.

The unitary charge for 2022/23 was £1.4m (2021/22 was £1.3m).

The table below details the movement on the liabilities held on the council's balance sheet relating to PFI and service concession contracts:

Liabilities resulting from PFI Contracts		Riverside Housing	Total School Solutions	BSF Rowley Campus	Portway	Total PFI Schemes	Total Finance Lease Liabilities
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2023	Current	(1,386)	(777)	(1,492)	(249)	(3,904)	(3,904)
	Long Term	(14,838)	(5,953)	(32,297)	(8,302)	(61,390)	(61,390)
	Total	(16,224)	(6,730)	(33,789)	(8,551)	(65,294)	(65,294)
Balance at 31 March 2022	Current	(1,356)	(704)	(770)	(218)	(3,048)	(3,048)
	Long Term	(16,407)	(6,730)	(33,789)	(8,551)	(65,477)	(65,477)
	Total	(17,763)	(7,434)	(34,559)	(8,769)	(68,525)	(68,525)
Movement in Year		1,539	704	770	218	3,231	3,231
Analysis of Movement in Year:							
Capital Additions in year		-	-	-	-	-	-
Write down of liability		1,539	704	770	218	3,231	3,231
		1,539	704	770	218	3,231	3,231

NOTES TO THE ACCOUNTS

The table below provides a schedule of unitary payments due to be made under PFI contracts, split over their component parts:

Schedule of payments due to be made under PFI contracts	Within 1 Year £'000	Within 2 - 5 Years £'000	Within 6 - 10 Years £'000	Within 11 - 15 Years £'000	Within 16 - 20 Years £'000	Total £'000
Riverside Housing PFI						
Liability Repayments	1,386	10,267	4,571	-	-	16,224
Interest Charges	1,533	6,961	2,254	-	-	10,748
Operating Costs	2,548	10,905	8,817	-	-	22,270
Lifecycle Costs	3,329	8,519	2,832	-	-	14,680
	8,796	36,652	18,474	-	-	63,922
Total School Solutions PFI						
Liability Repayments	777	4,005	1,948	-	-	6,730
Interest Charges	1,176	3,998	1,119	-	-	6,293
Operating Costs	904	3,719	1,576	-	-	6,199
Lifecycle Costs	112	461	237	-	-	810
	2,969	12,183	4,880	-	-	20,032
BSF Rowley Campus PFI						
Liability Repayments	1,492	7,699	13,405	11,193	-	33,789
Interest Charges	2,741	10,085	8,604	2,653	-	24,083
Operating Costs	2,284	9,136	11,420	6,939	-	29,779
Lifecycle Costs	544	1,891	3,972	1,808	-	8,215
	7,061	28,811	37,401	22,593	-	95,866
Portway PFI						
Liability Repayments	249	743	982	1,946	4,631	8,551
Interest Charges	752	2,830	3,158	2,581	407	9,728
Operating Costs	321	1,284	1,605	1,605	134	4,949
Lifecycle Costs	53	643	1,130	743	-	2,569
	1,375	5,500	6,875	6,875	5,172	25,797
Total Payments	20,201	83,146	67,630	29,468	5,172	205,617

The table below shows the movement on the carrying amount of the PFI assets held within the council's balance sheet:

	Council Dwellings (Riverside) £'000	Buildings (Total Schools) £'000	Buildings (Rowley Campus) £'000	Land & Buildings (Portway) £'000	Total £'000
Balance as at 1 April 2022	45,162	24,703	47,036	12,794	129,695
Additions	1,630	162	1,422	65	3,279
Revaluations	1,884	2,186	3,672	2,074	9,816
In Year Depreciation	(655)	(530)	(1,022)	(229)	(2,436)
Depreciation Written Out	655	530	1,022	229	2,436
Other Movements	(566)	4,266	(30)	-	3,670
Balance as at 31 March 2023	48,110	31,317	52,100	14,933	146,460

NOTES TO THE ACCOUNTS

Serco Limited Waste Contract

The council entered a 25-year contract with Serco Limited on 9 November 2010 to cover the delivery of waste and cleansing services across the borough.

At the commencement of the contract Sandwell MBC transferred its fleet of waste disposal vehicles over to Serco Limited at nil value. However, for the duration of the contract Serco Limited will be solely responsible for the replacement of the vehicle fleet to ensure they are of a standard to provide the services required by the contract. All vehicles transferred by the council and subsequently purchased by Serco Limited will be solely used for the delivery of this contract for the assets' entire lives. Ownership of these assets will revert to the council at the end of the agreement.

The council-owned depot located at Shidas Lane is to be leased to Serco Limited for the duration of the contract for which a peppercorn rent is payable. Serco Limited have also developed a new waste disposal site on behalf of the council on a site previously purchased by SMBC, under a standard construction contract. This asset was financed from the council's capital programme and was fully operational at 31 March 2013.

The vehicle fleet, council-owned depot and waste disposal site are all held on the Councils balance sheet.

Upon default by the council, Serco Limited may terminate the contract by giving 30 days' notice. The termination notice must be served within 30 days of the contractor becoming aware of the default. The council may terminate the contract where the contractor fails to rectify defaults notified to them by the council, or on the occurrence of persistent breach of the contract. The council made payments of £29.829m in 2022/23 to Serco Limited (£25.775m in 2021/22).

The table below provides a schedule of liability payments due to be made over the remaining life of the contract:

Schedule of payments due to be made under PFI contracts	Within 1 Year £'000	Within 2 - 5 Years £'000	Within 6 - 10 Years £'000	Within 11 - 15 Years £'000	Total £'000
SERCO					
Operating Costs	32,254	140,754	204,819	114,806	492,633
Lifecycle and Other Costs	1,858	7,019	9,248	5,280	23,405
	34,112	147,773	214,067	120,086	516,038

The table below provides the value of assets held under service concession arrangements at each Balance Sheet date and an analysis of the movement in those values:

31/03/2022 £'000		31/03/2023 £'000
252	Balance as at 1 April	3,344
3,289	Replacement asset (start of period)	986
(197)	Depreciation	(315)
-	Other Adjustments	(197)
3,344	Balance as at 31 March	3,818

As at the 31st March 2023 the Council had £4.4m (£3.5m at 31st March 2022) of prepayments relating to the contract with Serco Limited. The accounts reflect the change of accounting treatment implemented for the 2022/23 accounts.

44. Impairment Losses and Reviews

During 2022/23 no material Impairment Losses have been identified in relation to the Council's Non-Current assets.

Reversal of impairment losses recognised in previous years amounting to £50.650m were recognised in 22/23.

The Council's Valuers carried out impairment reviews where deemed appropriate to determine if there were any material changes in property values from the 1 April 2022 to 31 March 2023.

The Valuers have concluded that there have been no circumstances in the local property market, since the start of the year, that would require additional impairment adjustments to be applied to the value of Council Dwellings, General Land & Buildings or Investment properties.

The Council has undertaken an analysis of its PPE and Investment assets applying accumulated property indices to individual assets within each property group to determine if there has been a material movement in value since the assets were last valued within their rolling valuation cycle.

45. Termination Benefits

The council terminated 67 employee contracts (excluding schools) in 2022/23 to meet the ongoing challenges of the difficult economic climate and budget reductions, incurring liabilities of £3.862m.

The following table summarises the exit packages that the council has provided for:

(Exit Packages) Band	Total Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band (£'000)		Details of Termination Packages - Cost of Prior Year's Included in Current Year		Comments
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	Number s	Cost ('000)	
£0 - £20,000	-	-	12	24	12	24	98	236	8	46	
£20,001 - £40,000	-	-	6	11	6	11	158	324	2	66	
£40,001 - £60,000	-	-	2	9	2	9	118	459	4	216	
£60,001 - £80,000	-	-	2	5	2	5	125	357	1	73	
£80,001 - £100,000	-	-	3	5	3	5	269	455	3	268	
£100,001 - £150,000	-	-	3	8	3	8	363	1,017	1	141	
£150,001 - £200,000	-	-	2	3	2	3	322	475	1	169	
£201,000 - £250,000	-	-	1	1	1	1	244	230	1	212	2022-23 Two provisions created as employee worked across two teams
£250,001 - £300,000	-	-	1	-	1	-	267	-	-	-	
£300,001 - £350,000	-	-	-	1	-	1	-	309	-	-	
TOTAL	-	-	32	67	32	67	1,963	3,862	21	1,191	

A provision of £1.461m was created for 2021/22 leavers for whom costs were not yet incurred and known future leavers as at 31 March 2022 at the end of 2021/22. Of this £1.201m was utilised, £0.126m was released back to services and £0.133m re-provided for in 2022/23.

Further costs of £3.446m not included in the 2021/22 provision have been incurred. £2.691m of this has been funded by Directorates and £0.755m from the Council's Corporate Resources.

NOTES TO THE ACCOUNTS

Agreements were made in 2022/23 for 2 employees to leave the council in future years at an estimated cost of £0.121m, a provision has therefore been created for this amount.

Further provision of £0.367m has been created for 2022/23 leavers for whom costs have been estimated but not yet incurred.

As at 31/03/2023, the council holds a total provision of £0.621m.

Schools terminated the contracts of 32 posts in 2022/23, incurring liabilities of £0.378m.

46. Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The council participates in three pension schemes:

Teachers

The teachers employed by the council are members of the Teachers Pension Scheme (TPS) which is a defined benefit multi-employer scheme operated by the Department for Education (DFE). The scheme is managed by the Teachers Pensions Agency under the Teachers Pensions Regulations 1997. The Teachers Pensions Fund is accounted for as a defined contribution scheme in line with the requirements of IAS19 since the scheme is notionally funded and for which underlying liabilities cannot be identified on a consistent basis.

In 2022/23 the council paid £16.610m (2021/22 £16.298m) to the DFE in respect of teachers' pension costs. This represents 23.68% of teacher's pensionable pay. Estimated contributions for 2023/24 are £16.982m which is again representative of a contribution rate of 23.68%. In addition, the council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2022/23 these amounted to £2.832m (2021/22 £2.543m). A liability is shown on the balance sheet and the movement in reserves statement in respect of the council's obligation to pay added years benefits.

NHS Pensions

On 1 April 2013, NHS employees transferred to the council into a new Public Health directorate. These employees have maintained their membership to the NHS Pension Scheme, which is an unfunded defined benefit scheme. The scheme is however accounted for as a defined contribution scheme since the council is not able to identify reliably its share of the underlying liabilities.

In 2022/23 the council paid £0.029m (2021/22 £0.029m) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% of pensionable pay. Estimated contributions for 2023/24 are £0.030m based on a contribution rate of 14.38%.

Other Employees

Other employees of the council contribute to the Local Government Pension Scheme (LGPS) which is a defined benefit scheme. In 2022/23 the council paid an employer's pension contribution of £38.680m (2021/22 £34.932m) based on 20.5% of employee's pensionable pay into the West Midlands Metropolitan Authorities Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. Contributions for 2023/24 were £45.718m based on 24.6% of pensionable pay.

NOTES TO THE ACCOUNTS

The capital cost of awarding discretionary additional benefits relating to the year 2022/23 was £2.738m (2021/22 £1.175m). These costs have been met from revenue.

Transactions Relating to Retirement Benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by the employee, rather than when the benefits are eventually paid as pensions. However, so that the charge required against council tax is based on cash payable in the year, the real cost of retirement benefits is reversed out in the Movement in Reserves Statement.

The following transactions have been made in year:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Teachers Pension Scheme	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
Cost of Services				
Current service costs	89,305	82,323		
Past service costs	876	843		
Settlements and curtailments	(7,113)	(3,545)		
Financing and Investment Income and Expenditure				
Net interest expense	21,873	20,186	710	882
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	104,941	99,807	710	882
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets (excluding the amount included in net interest expense)	(117,899)	76,202		
- Actuarial gains and losses arising on changes in demographic assumptions	(78,626)	(15,650)	(374)	(355)
- Actuarial gains and losses arising on changes in financial assumptions	(162,257)	(923,203)	(563)	(5,373)
- Experience (gain) / loss	(55,541)	132,752	83	6,949
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(414,323)	(729,899)	(854)	1,221

Movement in Reserves Statement	Local Government Pension Scheme		Teachers Pension Scheme	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	112,308	108,959		
Actual amount charged against the General Fund Balance for pensions in the year	45,124	48,782		
Employer's Contributions payable to scheme				
Retirement benefits payable to pensioners	1,346	1,204	2,543	2,832

Further information regarding other employee's pensions can be found in the West Midlands Authorities Superannuation Fund's Annual Report, which is available upon request from:

West Midlands Pension Fund, Civic Centre, St Peter's Square, Wolverhampton, WV1 1SL.

The assets and liabilities attributable to the council for both the LGPS and the TPS as at 31 March 2023 have been provided by the Funds' Actuary and are detailed below:

NOTES TO THE ACCOUNTS

Reconciliation of present value of the scheme liabilities	Local Government Pension Scheme		Teachers Pension Scheme	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
Opening Balance at 1 April	2,681,872	2,478,922	36,783	34,096
Current Service Cost	89,305	82,323		
Interest on pension liabilities	53,860	67,328	710	882
Contributions by scheme participants	10,636	11,790		
Remeasurement (gain) / loss:				
- Actuarial gains and losses arising on changes in demographic assumptions	(78,626)	(15,650)	(374)	(355)
- Actuarial gains and losses arising on changes in financial assumptions	(162,257)	(923,203)	(563)	(5,373)
- Experience (gain) / loss	(48,673)	132,752	83	6,949
Benefits paid	(57,399)	(56,184)	-	-
Unfunded Benefits paid	(1,346)	(1,204)	(2,543)	(2,832)
Past service costs / Curtailment	876	843		
Settlements	(9,326)	(5,674)		
Closing Balance at 31 March	2,478,922	1,772,044	34,096	33,366

Scheme History	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Present Value of Liabilities						
Local Government Pension Scheme (funded)	(2,037,255)	(2,087,257)	(2,070,007)	(2,667,105)	(2,465,543)	(1,760,084)
Local Government Pension Scheme (unfunded)	(15,047)	(13,424)	(14,869)	(14,767)	(13,379)	(11,960)
Teachers Pension Scheme (unfunded)	(45,140)	(42,180)	(39,994)	(36,783)	(34,096)	(33,366)
Total Present Value of Liabilities	(2,097,442)	(2,142,861)	(2,124,870)	(2,718,655)	(2,513,018)	(1,805,410)
Fair Value of assets in the local government pension scheme	1,355,619	1,386,323	1,334,232	1,614,919	1,759,242	1,714,069
Surplus / (Deficit) in the scheme:						
Local Government Pension Scheme (LGPS)	(696,683)	(714,358)	(750,644)	(1,066,953)	(719,680)	(57,975)
Teachers Pension Scheme (TPS)	(45,140)	(42,180)	(39,994)	(36,783)	(34,096)	(33,366)
Total	(741,823)	(756,538)	(790,638)	(1,103,736)	(753,776)	(91,341)

Reconciliation of fair value of the scheme assets	Local Government Pension Scheme	
	2021/22 £'000	2022/23 £'000
Opening Balance at 1 April	1,614,919	1,759,242
Interest Income	31,987	47,142
Return on assets less interest	119,512	(84,472)
Administration expenses	6,868	-
Settlements	(2,213)	(2,129)
Employers contributions	34,932	38,680
Contributions by scheme participants	10,636	11,790
Benefits paid	(57,399)	(56,184)
Closing Balance at 31 March	1,759,242	1,714,069

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £1,805m has a substantial impact on the net worth of the council as recorded in the Balance Sheet in a negative overall balance of £91.341m, however statutory arrangements for funding the deficit mean that the financial position of the council remains healthy. The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

NOTES TO THE ACCOUNTS

The Local Government Pension Scheme's assets comprise of the following asset categories:

Asset Category	2021/22 £'000	2022/23 £'000
Equities	1,061,873	1,056,606
Bonds	393,216	351,962
Property	125,584	120,282
Alternatives	101,537	131,738
Cash	68,762	53,481
Remeasurements of the net defined benefit liability/(asset)	8,270	-
Total	1,759,242	1,714,069

Basis for Estimating Assets & Liabilities

Pension fund liabilities for both schemes have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hyman Robertson LLP, an independent firm of actuaries, has assessed the liabilities of both schemes. The main assumptions used in their calculations have been:

Basis for Estimating Assets & Liabilities	Local Government Pension Scheme		Teachers Pension Scheme	
	2021/22	2022/23	2021/22	2022/23
Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	21.1	20.7	21.1	20.7
Women	23.9	23.5	23.9	23.5
Longevity at 65 for future pensioners				
Men	22.0	21.5	22.0	21.5
Women	25.4	25.0	25.4	25.0
Rate of CPI Inflation	3.20%	2.95%	3.20%	2.95%
Rate of Increase In Salaries (LGPS)	4.20%	3.95%		
Rate of Increase In Pensions	3.20%	2.95%	3.20%	2.95%
Discount Rate	2.70%	4.75%	2.70%	4.75%

A ruling was made regarding age discrimination arising from public sector pension scheme transition arrangements put in place when moving from final salary to average salary scheme arrangements. Court of Appeal judgements were made in cases affecting judges' pensions (the McCloud Judgement) and firefighter pensions. Allowance has been made for the potential impact in the results reported.

Changes in Assumptions on Conversion of Schools to Academies

The assets and liabilities of 3 schools were transferred out of the scheme during 2022/23 and, in line with IAS 19, remeasurement of the profit and loss items from the date of any special event for the remainder of the accounting period was considered. These transfers were not deemed to be significant and therefore there has not been any remeasurement of the profit and loss items.

Early Payment of Pension Contributions

The Council made an early up front pension contribution of £30.563m in May 2020, covering the three-year period 2020/21 to 2022/23. The full payment was accounted for as a reduction in the Council's net pension liability in 2020/21, however accounting regulations require that the amount due in relation to 2022/23 of £10.102m (2021/22 £10.192m) is recognised as a cost this year. This cost is shown as a cost in the Movement in Reserves Statement in Note 9 and in the Defined Benefit Pension Schemes.

47. Contingent Assets and Liabilities

Contingent Liabilities

There are presently 10 active civil litigation claims (10 in 2021/22) and 7 active employment tribunal cases (1 in 2021/22).

Equal Pay

The Council has in the past received several claims for back pay arising from the Equal Pay Initiative. All of these claims were settled and there are none currently outstanding. Therefore, no provision for Equal Pay has been set in 2022/23.

Municipal Mutual Insurance Ltd (MMI)

Municipal Mutual Insurance Ltd (MMI), through which the council had part of its insurance, ceased writing new insurance business in 1992 and is currently using its available resources to meet outstanding claims. MMI may not know the full extent of its liability claims as it may take several years for them to arise, however the company has continued to settle claims in an orderly manner. To prevent the costs associated with an insolvent run off, the company entered a scheme of arrangement with its creditors, which was triggered in 2012/13. A levy amounting to 15% of the total claim payments was previously issued to all the members of the scheme and has since been settled by the Council. The scheme administrator then issued a further 10% levy to all scheme members and this also has been settled by the Council.

Contingent Liability – Unlodged Appeals

Following the 2017 revaluation of properties, a new appeal process was introduced called Check, Challenge and Appeal. The new system was designed to stabilise the volume of appeals and thus provide more certainty to council finances. However, due to problems with the new system the number of businesses appealing their new rating valuation has so far been low. Given the lack of information available from the VOA for claims relating this period, the council has relied on information from our rating experts, Analyse Local, to estimate the potential loss of income in respect of future successful valuation appeals.

Analyse Local has provided a threats report identifying potential appeals of £1.632m. Using information from Analyse Local on the historic proportion of threats that have actually progressed to check and challenge we have included £0.580m of these threats within our appeals provision. We have excluded the remaining £1.052m because it is not possible to estimate with reliability the outflow of cash required to settle these unlodged appeals due to the uncertainty of the appeal being lodged, the eventual settlement date, the new processes in place, the backlog of appeals and impact of Covid-19.

Contingent Assets

The council has placed tax claims for postage, landfill tax and compound interest with legal counsel. No values can be placed on these claims at this time. The periods and nature of the supplies recoverable will be part of the ruling in the lead cases.

A provision has not been made within the 2022/23 accounts, as the exact amount of the potential asset involved cannot be accurately determined at this time.

Housing Revenue Account

2022/23

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

HOUSING REVENUE ACCOUNT

2021/22 £'000	HRA Income and Expenditure Statement	2022/23 £'000
	<u>Income:</u>	
(120,526)	Dwelling Rents	(120,426)
(85)	Non-Dwelling Rents	(1,789)
(3,322)	Charges for Services & Facilities	(4,537)
(5,713)	PFI Grant	(5,713)
(129,646)	Total Income	(132,465)
	<u>Expenditure:</u>	
45,798	Repairs & Maintenance	51,177
27,047	Supervision & Management	29,422
1,649	Rent, Rates, Taxes & Other Charges	2,675
5,499	PFI Contract	4,767
(17,257)	Depreciation & Impairment of Non Current Assets	(31,987)
-	Interest Payable/(Receivable) charged to Cost of Services	-
263	Movement in Impairment Allowance for Bad Debts	323
62,999	Total Expenditure	56,377
(66,647)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account	(76,088)
(3,804)	(Gain) or loss on sale of HRA Non Current Assets	(6,183)
(463)	(Gain) or loss on revaluation of HRA Non Current Assets	(9)
1,606	PFI Interest payable and similar charges	1,627
3,025	Pensions Interest Costs	2,700
19,238	Interest payable and similar charges	20,429
-	Interest and Investment Income	(893)
374	Movement on Impairment Losses	-
(2,032)	Capital grants and contributions receivable	(2,057)
(48,703)	(Surplus) / Deficit for the year on HRA services	(60,474)

HOUSING REVENUE ACCOUNT

2021/22 £'000	Movement on Housing Revenue Account Balance Statement	2022/23 £'000
(41,287)	Balance on the HRA at the end of the previous reporting period	(39,327)
(48,703)	(Surplus)/deficit for the year on the Income and Expenditure Statement	(60,474)
49,353	Adjustments between accounting basis and funding basis under statute	55,989
650	Net increase/(decrease) before transfers to or from reserves	(4,485)
1,308	Transfers to/(from) Major Repairs Reserve	1,575
1,958	(Increase)/decrease in year on the HRA	(2,910)
(39,329)	Balance on the HRA at the end of the current reporting period	(42,237)

Note to the Statement of Movement on the HRA Balance

2021/22 £'000	HRA Income and Expenditure Statement	2022/23 £'000
	Items included in the HRA Income & Expenditure Statement but excluded from the Movement on HRA Balance for the year	
17,257	Depreciation & impairment of Non Current Assets	31,987
3,804	Gain or loss on sale of HRA Non Current Assets	6,183
463	Gain or loss on revaluation of HRA Non Current Assets	9
2,032	Capital grants and contributions receivable	2,057
(9,790)	Pension Reserve	(7,776)
5	Accumulated Compensated Absences Account	163
13,771		32,623
	Items not included in the HRA Income & Expenditure Statement but included in the Movement on HRA Balance for the year	
19	Amortisation of premiums, discounts & LOBOs	19
1,324	PFI Finance Lease Creditor	1,539
139	PFI Capital expenditure funded by the HRA	-
3,659	Capital expenditure funded by the HRA	3,054
15,944	Net transfer to / (from) Major Repairs Reserve	16,834
1,936	Pension Reserve	1,919
12,561	Debt Repayment	-
35,582		23,366
49,353	Net additional amount required by statute to be credited to the HRA Balance for the year	55,989

HOUSING REVENUE ACCOUNT

Notes to the HRA Accounts

1. Housing Stock as at 31 March

Total No. 31 March 2022	Dwelling Type	Pre 1945	1945 to 1964	1965 to 2000	Post 2000	Total No. 31 March 2023
	<u>0 Bedroom</u>					
2	Bungalow			2		2
43	Flat		18	24		42
	<u>1 Bedroom</u>					
3	Houses	-	1	2	-	3
6,238	Flats	217	1,439	4,432	132	6,220
1,368	Bungalows	384	317	666	-	1,367
	<u>2 Bedroom</u>					
3,146	Houses	1,560	832	514	231	3,137
4,876	Flats	126	2,375	2,250	107	4,858
179	Bungalows	5	50	56	73	184
	<u>3 Bedroom</u>					
11,287	Houses	6,494	2,817	1,644	149	11,104
538	Flats	49	264	229	-	542
12	Bungalows	1	1	9	1	12
	<u>4 Bedroom</u>					
640	Houses	402	142	35	71	650
2	Bungalows	-	-	2	-	2
	<u>5 Bedroom</u>					
9	Houses	7	2	1	1	11
	<u>6 Bedroom</u>					
3	Houses	1	1	1	-	3
	<u>7 Bedroom</u>					
-	Houses	-	-	-	1	1
	<u>8 Bedroom</u>					
1	Houses	-	-	1	-	1
28,347	Total Stock	9,246	8,259	9,868	766	28,139

The housing stock at 31 March 2023 includes 974 council dwellings (983 at 31 March 2022) included within the Riverside Housing PFI contract, which are included on the council's Balance Sheet.

HOUSING REVENUE ACCOUNT

2. Balance Sheet Movement in HRA Non-Current Assets

	Council Dwellings	Land & Building	Intangible	Equipment	Surplus Assets	Assets under Construction	Investment Properties	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 2022	1,218,471	1,263	258	9,162	3,251	9,902	51	1,242,358
Additions	43,702		761	707		9,874		55,044
Revaluations - RR	(1,623)	(3)	-	-	3,188	-	-	1,562
Revaluations - CI&ES	31,541	(6)			1,232		9	32,776
Disposals	(14,517)				(26)	(79)	-	(14,622)
Transfers	4,150	-			(1,215)	(2,540)	-	395
as at 31 March 2023	1,281,724	1,254	1,019	9,869	6,430	17,157	60	1,317,513
Depreciation & Impairment								
As at 1 April 2022	-	(28)	(258)	(5,511)	-	-	-	(5,797)
In Year Depreciation*	(17,873)	(19)	-	(511)	(5)			(18,408)
Impairment Losses / Reversals - CI&ES	17,617	10			2			17,629
Disposals	206							206
Transfers	50				3	(53)		-
As at 31 March 2023	-	(37)	(258)	(6,022)	-	(53)	-	(6,370)
As at 31 March 2023	1,281,724	1,217	761	3,847	6,430	17,104	60	1,311,143
As at 31 March 2022	1,218,471	1,235	-	3,651	3,251	9,902	51	1,236,561

The council entered into a 25 year PFI contract in March 2006 with Riverside Housing Association for the refurbishment of 1,095 dwellings of which 974 of these assets are included in the table above as they form part of the council's assets held within the Balance Sheet.

Due to the large number of dwellings held by the council it is not practical to account for each property individually and so all assets that fall into this category are grouped together under the heading of Council Dwellings and are accounted for at this higher level. When additions to the stock are made, these are revalued based on the beacon and social use factor of 40%. Where previous revaluation gains exist any revaluation losses relating to new additions are offset against these gains. In 2022/23, no losses relating to new additions were offset against revaluation gains from previous years.

3. Vacant Possession and Existing Use Valuations

The opening vacant possession value of council dwellings as at 1 April 2022 was £3,046.178m, which represents the value that the council would receive if all dwellings were sold on the open market. The existing use value as at the same date was £1,218.471m and included a regional social housing discount factor of 40%. The difference shows the economic cost to Government of providing council housing at sub market rents.

The closing vacant possession value of council dwellings as at 31 March 2023 was £3,211.933m and the balance sheet value as at 31 March 2023 was £1,281.724 which also includes a regional social housing discount factor of 40%.

4. Major Repairs Reserve

The major repairs reserve is attributed with an amount equivalent to the full depreciation charges made during the year to the HRA. These funds are then available to finance capital expenditure on

NOTES TO THE ACCOUNTS

HRA assets with the balance of funds as at 31 March within the Major Repairs Reserve being available for HRA capital purposes.

2021/22 £'000		2022/23 £'000
	Opening Balance as at 1 April	1,308
16,812	Depreciation on Dwellings to the MRR during year	17,873
440	Depreciation on other Non Current Assets	535
-	Amounts transferred to HRA	-
(15,944)	Capital expenditure on land, houses & other property within HRA	(16,834)
1,308	Closing Balance as at 31 March	2,882

5. Capital Expenditure

Capital expenditure on land, houses and other property within the HRA during 2022/23 is £55.043m (£58.277m in 21/22). This expenditure has been financed as follows:

2021/22 £'000		2022/23 £'000
58,277	Capital Expenditure	55,044
	Sources of Funding:	
30,381	Prudential Borrowing	31,421
2,032	Grants	2,058
15,944	Major Repairs Reserve	16,834
3,798	Revenue Contribution	3,054
6,122	Usable Capital Receipts	1,677
58,277	Total Funding	55,044

6. Capital Receipts

Net Capital Receipts received from the disposal of land, houses and other property within the HRA during 2022/23 are summarised below:

2021/22 £'000		2022/23 £'000
1	Land & Buildings	112
18,971	Council Houses	20,572
18,972	Total Capital Receipts	20,684

7. Depreciation Charge

As required by the Code, the council has charged depreciation on all HRA properties, including non-dwellings. In 2022/23 depreciation for council dwellings has been calculated on a straight-line basis

NOTES TO THE ACCOUNTS

using different asset lives appropriate to each significant component. Depreciation for neighbourhood offices have been calculated on a straight-line basis, based on the asset's useful economic lives.

A summary of depreciation charged into the Housing Revenue Account is detailed below:

2021/22 £'000		2022/23 £'000
16,187	Dwellings	17,218
625	PFI Dwellings	655
21	Neighbourhood Offices	19
379	Equipment	511
14	Assets Not Held for Sale	5
27	Intangible	-
17,253	Total Depreciation	18,408

8. Revaluation and Impairment Losses

The Code requires a charge to be made to the Housing Revenue Account in respect of revaluation and impairment losses.

The Code also requires that previous years losses should be reversed if the circumstances giving rise to the loss change. Due to an increase in the value of Housing Stock there were £50.464m previous year losses reversed during 2022/23 relating to HRA properties.

9. Rent Arrears

Arrears of rent due from tenants of council dwellings are shown below:

2021/22 £'000		2022/23 £'000
5,587	Current Tenants	6,194
4,978	Former Tenants	5,100
10,565	Total Arrears	11,294

HOUSING REVENUE ACCOUNT

10. Provisions & Reserves

The Council has set aside money to allow for the possibility that a proportion of the outstanding rent arrears, leaseholder debts and court fees will not be paid. That money is known as Housing Debt Impairment Allowance in accordance with the Code. The movement on which is shown below:

2021/22 £'000		2022/23 £'000
4,670	Provision b/fwd 1 April	5,014
(263)	Write Off / On Charged to Provision	(207)
607	Additional Provision	323
5,014	Provision c/fwd 31 March	5,130

11. Government Subsidy

The Council entered a 25-year PFI agreement with Riverside Housing for the management and maintenance of 1,095 properties at the beginning of the contract. Each year, the HRA receives a subsidy credit from the government to assist with the funding of this agreement, the movement on which is shown below:

2021/22 £'000		2022/23 £'000
(5,713)	PFI Credit Receivable	(5,713)
(5,713)	Total Government Subsidy Payable / (Receivable)	(5,713)

12. Housing Revenue Account Balance

The HRA carries a level of general reserves to assist with the funding of one-off items of expenditure, that fall outside of the day to day repairs and management of the housing stock. Most of these reserves are earmarked for specific purposes, however, there does remain a level of uncommitted resources for future projects. The movement on which is shown below:

2021/22 £'000		2022/23 £'000
39,327	HRA Surplus as at 31st March	42,238
	Less Earmarked Balances:	
(7,400)	- Working Balance	(7,400)
(8,387)	- Contingencies	(8,387)
(15,000)	- Capital Investment	(15,000)
(181)	- Carry Forward Commitments	(181)
8,359	Uncommitted HRA Resources	11,270

Collection Fund

2022/23

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

COLLECTION FUND

Accounting Policies

1. Income and Expenditure

The accounts have been prepared on an accrual's basis. This means sums due to or from the Collection Fund, are included whether the cash has been received or paid in the year.

The above policy is not followed when dealing with the apportionment of the surplus or deficit on the fund to precepting authorities.

2. Council Tax/NNDR Bad Debt Provision and NNDR Provision for Valuation Appeals

A provision is created when a sum of money is set aside to meet future specific expenses which are likely or certain to be incurred, but the amount of which cannot yet be determined accurately.

The Collection Fund provides for bad debts on arrears based on prior year experience and the current year's collection rates.

3. Collection Fund Statement

2021/22				2022/23		
Council Tax £'000	NDR £'000	Total £'000		Council Tax £'000	NDR £'000	Total £'000
130,269	-	130,269	Income	141,823	-	141,823
2,513	-	2,513	- Council Tax Payers	808	-	808
-	84,113	84,113	- Council Tax Hardship Relief Grant	-	96,713	96,713
-	42,825	42,825	- Business Rates Payers	-	17,201	17,201
			Contribution towards previous year's estimated Collection Fund Deficit			
132,782	126,938	259,720	Total Income	142,631	113,914	256,545
			Expenditure			
			Precepts:			
111,654	-	111,654	- Sandwell MBC	117,968	-	117,968
13,208	-	13,208	- West Midlands Police Crime Commissioner	14,040	-	14,040
4,689	-	4,689	- West Midlands Fire & Rescue Authority	5,092	-	5,092
			Non Domestic Rates:			
-	-	-	- Central Government	-	-	-
-	99,364	99,364	- Sandwell MBC	-	93,222	93,222
-	1,004	1,004	- West Midlands Fire & Rescue Authority	-	942	942
-	423	423	- Cost of Collection Allowances	-	415	415
-	316	316	- Transitional Protection Payment	-	353	353
			Provisions:			
2,309	(1,463)	846	- Bad Debts	7,511	3,966	11,477
-	(2,260)	(2,260)	- Appeals	-	(1,842)	(1,842)
3,369	-	3,369	Distribution of Estimated Collection Fund Surplus	66	-	66
135,229	97,384	232,613	Total Expenditure	144,677	97,056	241,733
(2,447)	29,554	27,107	Collection Fund Surplus / (Deficit) in year	(2,046)	16,858	14,812
4,057	(45,547)	(41,490)	Opening Balance at 1 April	1,610	(15,993)	(14,383)
1,610	(15,993)	(14,383)	Closing Balance at 31 March	(436)	865	429

Notes to the Collection Fund

General

The collection fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of council tax and non-domestic rates (NDR) and distribution to local authorities, preceptors and the government. The council has a statutory requirement to operate a collection fund as a separate account to the general fund. The purpose of the collection fund is to isolate the income and expenditure relating to council tax and NDR. The administrative costs associated with the collection process are charged to the general fund. Collection fund surpluses for both council tax and NDR are declared by the billing authority are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Sandwell, the council tax precepting bodies are the West Midlands Police and the West Midlands Fire and Rescue Service (WMFS). The NDR precepting body is the WMFS.

From the 2017/18 financial year the council begun participating in a 100% business rates retention pilot with Birmingham City Council, City of Wolverhampton Council, Walsall Council, Sandwell Council, Coventry City Council and Solihull Council, (known as the West Midlands Metropolitan Authorities) with each billing authority retaining 99% of NDR received and the remaining 1% to the WMFS. As a result of the pilot, central government support grants are reduced to the council. Instead, income generated through NDR, Council Tax and self-generated income is needed to fund essential council services in Sandwell. This gives Sandwell Metropolitan Borough Council a financial incentive for the council to work with local businesses to create a promising local environment for growth since the council is more reliant on the income generated by the future growth in business rates revenues. The pilot operates on a no financial detriment principle. In other words, authorities cannot be worse off financially than they would otherwise have been had they not participated in a pilot.

The national code of practice followed by local authorities in England stipulates that a collection fund income and expenditure account is included in the council's accounts. The collection fund balance sheet meanwhile is incorporated into the council's consolidated balance sheet.

1. Income from Non-Domestic Rates

The council collects non-domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government.

Central government set a baseline level of business rates income for each authority, identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to central government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect, Sandwell received a top up grant to the General Fund in 2022/23 to the value of £42.827m which is included within the Comprehensive Income and Expenditure Statement.

The total amount collectable by the council in 2022/23 is calculated by applying the non-domestic multiplier to the total rateable value as shown in the table below:

Non-domestic multiplier	2022/23 £
Total rateable value as at 31 March	258,671,437
Non domestic multiplier	0.499

COLLECTION FUND

The share of Business Rates payable were originally estimated as £93.222m to be retained by the council and £0.942m to West Midlands Fire Service. These sums have been paid and charged to the Collection Fund in year.

The total income from business rate payers collected in 2022/23 was £96.713m.

2. Council Tax

Council tax derives from charges raised according to the value of residential properties, which have been classified in 8 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the council for the forthcoming year and dividing this by the council tax base (i.e. the equivalent numbers of band D dwellings).

The council calculated a council tax base of 74,858 for 2022/23 as compared to the 2021/22 base of 74,388. The tax base for 2022/23 has been calculated as follows:

Council tax base	Band D Equivalents Number
Band A	23,677
Band B	25,318
Band C	15,509
Band D	6,431
Band E	3,130
Band F	674
Band G	93
Band H	25
	74,858

In 2022/23 the council set Band D Council Tax at £1,575.88.

3. Collection Fund Provisions

The Collection Fund provides for bad debts against arrears of both Council Tax and NDR. It also includes a provision for outstanding NDR rating appeals, which if successful will be a liability to the Collection Fund. The summary below includes full details of these provisions and the council's share of this liability; the remaining liability being met proportionately by the preceptors.

2021/22					2022/23			
Bad Debts		Appeals			Bad Debts		Appeals	
Council Tax	NDR	Council Tax	NDR		Council Tax	NDR	Council Tax	NDR
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
12,103	4,181		9,007	Balance as at 1 April	13,107	2,015		6,770
(933)	(718)	-	-	Write Offs in Year	(352)	(1,146)	-	-
1,987	(1,448)	-	(2,237)	Increase / (Decrease) to provision in year	6,438	3,926	-	(1,824)
13,157	2,015	-	6,770	SMBC Balance as at 31 March	19,193	4,795	-	4,946

The CT opening share of bad debts has reduced by £0.050 due to the change in the SMBC share from 86.05% to 85.72%

Group Accounts

2022/23

GROUP ACCOUNTS

The Group Comprehensive Income and Expenditure Statement combines the income and expenditure figures of the Council with the Council's share of operating results of those entities in which it has a financial interest.

Restated 2021/22	Restated 2021/22	Restated 2021/22		2022/23	2022/23	2022/23
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
158,439	(78,187)	80,252	People			
288,711	(280,903)	7,808	Adult Social Care Services	161,870	(84,631)	77,239
130,046	(35,307)	94,739	Schools	302,774	(293,023)	9,751
26,365	(26,995)	(630)	Children's Services	129,457	(35,234)	94,223
			Public Health	28,348	(26,800)	1,548
			Performance			
19,319	(5,583)	13,736	Finance (Inc SIU)	21,162	(10,678)	10,484
6,306	(1,054)	5,252	Corporate Management	(743)	(570)	(1,313)
8,388	(9,136)	(748)	Law & Governance	10,347	(5,916)	4,431
13,913	(1,566)	12,347	Business Strategy & Change	15,704	(1,118)	14,586
103,990	(95,865)	8,125	Central Items	91,799	(79,186)	12,613
			Place			
7,926	(6,209)	1,717	Housing & Communities	12,484	(9,678)	2,806
39,415	(9,686)	29,729	Regeneration & Growth	31,762	(12,841)	18,921
71,619	(18,110)	53,510	Borough Economy	77,166	(19,427)	57,739
			- Reversal of previous revaluation losses			
66,834	(133,538)	(66,704)	Housing Revenue Account	56,377	(132,465)	(76,088)
941,271	(702,139)	239,133	Cost of Services	938,507	(711,567)	226,940
		13,312	Other Operating Expenditure (Note 10)			6,849
		72,037	Financing and Investment Income and Expenditure (Note 11)			61,404
		(345,494)	Taxation and Non Specific Grant Income (Note 12)			(348,140)
		(21,012)	(Surplus) / Deficit on Provision of Services			(52,947)
		(26,448)	(Surplus) / deficit on revaluation of non current assets			(69,160)
		(352)	(Surplus) / deficit on revaluation of available for sale financial assets			(15,656)
		(423,449)	Remeasurements of the net defined benefit liability/(asset)			(728,678)
		(450,249)	Other Comprehensive Income and Expenditure			(813,494)
		(471,261)	Total Comprehensive Income and Expenditure			(866,441)

Note: Figures for 2021-22 have been restated to reflect the Council reporting according to the Organisation Restructural Change in 2022-23, to allow like-for-like comparison.

GROUP ACCOUNTS

The Group Balance Sheet shows as at 31 March the assets and liabilities of the group, through combining the Council's assets and liabilities with its share of the assets and liabilities of those entities in which it has a financial interest.

31 March 2022 £'000		Note ref	31 March 2023 £'000
2,308,974	Property Plant & Equipment	G6	2,472,389
4,320	Heritage Assets	14	4,320
65,610	Investment Properties	15	72,659
518	Intangible Assets	17	3,201
17,517	Long Term Investments	19	33,173
4,604	Long Term Debtors	-	4,676
2,401,543	Long Term Assets		2,590,417
276	Short Term Investments		10,520
9,630	Assets Held for Sale	16	-
1,715	Inventories	-	1,719
80,565	Short Term Debtors	G4	76,937
88,658	Cash & Cash Equivalents		51,912
180,844	Current Assets		141,088
(22,696)	Bank Overdraft	22	(17,878)
(83,835)	Short Term Borrowing	19	(94,124)
(141,837)	Short Term Creditors	G5	(98,153)
(11,938)	Provisions	25	(8,327)
(1,669)	Revenue Grants Receipts in Advance	38	(5,409)
(9,075)	Capital Grants Receipts in Advance	38	(12,172)
(271,050)	Current Liabilities		(236,064)
(5,022)	Provisions	25	(3,976)
(396,353)	Long Term Borrowing	19	(381,414)
(822,625)	Other Long Term Liabilities	24	(156,050)
(13,613)	Capital Grants Receipts in Advance	38	(13,836)
(1,237,613)	Long Term Liabilities		(555,275)
1,073,724	Net Assets		1,940,165
270,273	Usable Reserves	MIRS	303,234
810,469	Unusable Reserves	27	1,643,910
(7,018)	Group Income & Expenditure Reserve		(6,977)
1,073,724	Total Reserves		1,940,165

GROUP ACCOUNTS

The Group Cashflow Statement shows the change in the year of cash and cash equivalents of the Council and those entities in which it has a financial interest.

2021/22				2022/23		
Sandwell MBC £'000	Sandwell Children's Trust £'000	Group Total £'000		Sandwell MBC £'000	Sandwell Children's Trust £'000	Group Total £'000
55,741	663	56,404	Net surplus / (deficit) on the provision of services	52,907	40	52,947
85,611	(874)	84,737	Adjustments to net (surplus) / deficit on the provision of services for non cash movements	28,926	(2,169)	26,757
(46,933)	-	(46,933)	Adjustments for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities	(90,982)	-	(90,982)
94,419	(211)	94,208	Net cash flows from Operating Activities	(9,149)	(2,129)	(11,278)
			Investing Activities:			
(127,472)	-	(127,472)	Purchase of property, plant and equipment, investment property and intangible assets	(109,343)	-	(109,343)
(263)	-	(263)	Purchase of short and long term investments	(10,270)	-	(10,270)
19,404	-	19,404	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	31,004	-	31,004
-	-	-	Proceeds from short and long term investments	-	-	-
38,123	-	38,123	Other receipts from investing activities	75,727	-	75,727
(70,208)	-	(70,208)	Net cash flows from Investing Activities	(12,882)	-	(12,882)
			Financing Activities:			
229,054	-	229,054	Cash receipts of short and long term borrowing	254,968	-	254,968
(3,639)	-	(3,639)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,231)	-	(3,231)
(234,924)	-	(234,924)	Repayments of short and long term borrowing	(259,748)	-	(259,748)
(1,459)	-	(1,459)	Other receipts from financing activities	242	-	242
(10,968)	-	(10,968)	Net cash flows from Financing Activities	(7,769)	-	(7,769)
13,243	(211)	13,032	Net increase / (decrease) in cash and cash equivalents	(29,800)	(2,129)	(31,929)
40,916	12,015	52,931	Cash and cash equivalents at the beginning of the reporting period	54,158	11,804	65,962
13,243	(211)	13,032	Net movement in cash and cash equivalents	(29,800)	(2,129)	(31,929)
54,158	11,804	65,962	Cash and cash equivalents at the end of the reporting period	24,358	9,675	34,034

GROUP ACCOUNTS

The Group Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, together with the movement in the Council's share of those entities in which it has a financial interest.

Movement in Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	Group Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2022	199,176	39,327	1,308	13,867	16,595	270,273	810,469	1,080,742	(7,008)	1,073,734
Movement in Reserves During 2022/23										
Total Comprehensive Income and Expenditure	(8,978)	60,474	-	-	-	51,496	813,495	864,991	40	865,031
Adjustments between Group Accounts and Council Accounts	1,411					1,411	-	1,411	0	1,411
TOTAL	(7,567)	60,474	-	-	-	52,907	813,495	866,402	40	866,442
Adjustments between accounting basis & funding basis under regulations (Note 8)	(11,822)	(57,564)	1,575	22,314	25,551	(19,946)	19,946	-	-	-
Increase / Decrease in Year	(19,389)	2,910	1,575	22,314	25,551	32,961	833,441	866,402	40	866,442
Balance at 31 March 2023 carried forward	179,786	42,237	2,883	36,181	42,146	303,233	1,643,910	1,947,144	(6,968)	1,940,176

GROUP ACCOUNTS

Movement in Reserves	Total General Fund Balance	Housing Revenue Account	Housing Revenue Account - Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	Group Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2021	204,895	41,286	-	15,083	5,056	266,320	308,433	574,753	27,722	602,474
Movement in Reserves During 2021/22										
Total Comprehensive Income and Expenditure	4,713	48,239		-	-	52,952	450,249	503,199	(31,938)	471,261
Adjustments between Group Accounts and Council Accounts	2,789					2,789	-	2,789	(2,789)	-
TOTAL	7,502	48,239	0	0	0	55,741	450,249	550,989	(34,730)	471,261
Adjustments between accounting basis & funding basis under regulations (Note 8)	(13,221)	(50,198)	1,308	(1,216)	11,539	(51,789)	51,789	-	-	-
Increase / Decrease in Year	(5,719)	(1,959)	1,308	(1,216)	11,539	3,954	502,036	505,989	(34,730)	471,261
Balance at 31 March 2022 carried forward	199,176	39,327	1,308	13,867	16,595	270,273	810,469	1,080,742	(7,008)	1,073,734

1. **Accounting Policies**

The Group Financial Statements summarise the Council's and its Group's transactions for the 2022/23 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 supported by International Financial Reporting Standards (IFRS).

Members within the Group have been classified as subsidiaries and have been consolidated into the Group Financial Statements on a line by line basis where appropriate. Details included in respect of the classification can be found within Note 2.

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council entity accounts. Where there are no material differences, the Notes to the Council entity accounts provide the required disclosures.

Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies.

The accounting policies applied to the Group Financial Statements are consistent with those set out in (Note 1) to the Council entity accounts, with additional policies specific to the Group set out below.

2. **Consolidated Group Entities**

Sandwell Children's Trust

On 1st April 2018 Sandwell Children's Trust (SCT) went live following the transfer of the Children's Social Care functions (whilst statutory responsibility still sits with the council).

The council has considered the guidance in IFRS 10 and have concluded that SCT is a subsidiary and that group accounts will be prepared for the following reasons:

- SCT is a 100% wholly owned company;
- The council is the primary funder of SCT;
- The council has a director and elected member on the board of SCT; and
- The expenditure for SCT amounts to approximately £81m which is a material sum compared to the council's net cost of services of £227m.

Its accounts have therefore been consolidated into the group accounts on a line by line basis.

GROUP ACCOUNTS

3. **Basis of Consolidation**

The following statements consolidate the accounts of the Council with those of its subsidiaries, associates and joint venture. Transactions between the Council and its group entities are eliminated on consolidation. Details of the inter-company transactions are set out in the Related Parties Note to the single entity accounts.

Group Comprehensive Income and Expenditure Statement (GCI&ES) – provides the details of the income and expenditure recognised in year by the group, in a specified format, in accordance with generally accepted accounting practices.

Group Movement in Reserves Statement (GMiRS) – provides a reconciliation of the movement in year on the different reserves held and how the balance of resources generated or used in the year reconciles to the Council’s statutory requirements for raising Council Tax.

Group Balance Sheet – shows the value of assets and liabilities recognised by the group at 31 March and the level of reserves, split into usable and unusable.

Group Cash Flow Statement – shows how the group generates and uses cash during the year and the impact this has on the balances of cash and cash equivalents.

4. **Short Term Debtors**

The table below shows amounts owed to the Council’s group undertakings at the end of the year that are due within 12 months.

2021/22 £'000	Debtor Analysis	2022/23 £'000
22,593	Trade Receivables	18,034
19,896	Prepayments	23,672
38,076	Other Receivable Amounts (Council Tax, Business Rate and HMRC)	35,231
80,565	Total	76,937

5. **Short Term Creditors**

The table below shows amounts owed by the Council’s group undertakings at the end of the year that are due within 12 months.

2021/22 £'000	Short Term Creditors	2022/23 £'000
118,038	Trade Payables	71,795
20,751	Other Payables	22,274
3,048	Finance Lease Creditors (Note 40)	3,904
141,837	Total	98,153

GROUP ACCOUNTS

6. Property, Plant and Equipment

The following tables show the in-year movements in valuation, accumulated depreciation and impairments over the year for Property, Plant and Equipment for the group.

Movements in 2022/23	Council dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Assets under Construction £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
<u>Cost or Valuation</u>							
At 1 April 2022	1,218,471	703,759	96,517	102,024	18,994	23,825	2,163,590
Adjustment to opening balance	-	-	(192)	-	-	-	(192)
Revised At 1 April 2022	1,218,471	703,759	96,325	102,024	18,994	23,825	2,163,398
Additions	43,702	6,795	6,605	33,001	649	-	90,752
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	54,903	-	-	-	4,688	59,591
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	29,918	9,932	-	-	-	2,654	42,504
Derecognition – Disposals	(14,517)	-	(274)	-	-	(71)	(14,862)
Derecognition – Other	-	(17,517)	(1,051)	(78)	-	(303)	(18,949)
Transfers	4,150	15,542	-	(23,859)	5,730	(1,048)	515
At 31 March 2023	1,281,724	773,416	101,605	111,088	25,373	29,745	2,322,949
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2022	-	(3,777)	(74,313)	(4,406)	(54)	(4)	(82,554)
Adjustment to opening balance	-	-	192	-	-	4	196
Revised At 1 April 2022	-	(3,777)	(74,121)	(4,406)	(54)	-	(82,358)
Depreciation charge	(17,873)	(12,647)	(4,996)	-	-	(15)	(35,531)
Depreciation written out to the revaluation reserve	-	11,188	-	-	-	4	11,192
Depreciation written out to the Surplus/Deficit on the Provision of Services	17,617	3,659	-	-	-	1	21,277
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	-	-	(4,815)	-	-	(4,815)
Transfers	50	-	-	(53)	-	2	(1)
Derecognition – disposals	206	263	263	-	-	-	732
Derecognition - Other	-	-	1,051	-	-	4	1,055
At 31 March 2023	-	(1,314)	(77,803)	(9,274)	(54)	(4)	(88,449)
<u>Net Book Value</u>							
At 31 March 2023	1,281,724	772,102	23,802	101,814	25,319	29,741	2,234,502
At 31 March 2022	1,218,472	699,982	22,204	97,618	18,940	23,820	2,081,036

GROUP ACCOUNTS

Movements in 2021/22	Council dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Assets under Construction £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2021	1,146,869	717,335	101,024	68,512	18,945	28,559	2,081,244
Additions	42,346	7,951	7,661	60,877	63	250	119,158
Revaluation increases/(decreases) recognised in the Revaluation Reserve		10,874				2,502	13,376
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	18,334	(11,821)		-		(6,277)	236
Derecognition – Disposals	(15,323)	(23,394)	(2,031)			-	(40,748)
Derecognition – Other		(38)	(10,137)			(1,260)	(11,435)
Assets reclassified - Transfers In/Out	26,246	2,868		(27,365)	(14)	52	1,787
Other movements in cost or valuation		(16)	-	-	-	-	(16)
At 31 March 2022	1,218,472	703,759	96,517	102,024	18,994	23,825	2,163,591
Accumulated Depreciation and Impairment							
At 1 April 2021	0	(5,321)	(80,589)	(83)	(54)	(45)	(86,092)
Depreciation charge	(16,812)	(13,525)	(5,892)			(27)	(36,256)
Depreciation written out to the revaluation reserve		12,100		-		28	12,128
Depreciation written out to the Surplus/Deficit on the Provision of Services	16,615	947		85		38	17,685
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services		1,294		(4,408)		-	(3,114)
Transfers	(8)	78		-		(69)	1
Derecognition – disposals	205	632	2,031			70	2,938
Derecognition - Other			10,137				10,137
Other movements in depreciation and impairment		18	-	-		-	18
At 31 March 2022	0	(3,777)	(74,313)	(4,406)	(54)	(5)	(82,555)
Net Book Value							
At 31 March 2022	1,218,472	699,982	22,204	97,618	18,940	23,820	2,081,036
At 31 March 2021	1,146,869	712,014	20,435	68,429	18,891	28,514	1,995,152

GROUP ACCOUNTS

Infrastructure Assets

2021/22 £'000	<i>Analysis of movement on net carrying amount:</i> Net Book Value (modified historical cost)	2022/23 £'000
225,136	at 1 April	227,938
11,297	Additions	18,196
(8,548)	Depreciation	(8,247)
53	Other movements	-
227,938	Balance at 31 March	237,887

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Annual Governance Statement 2022/23



Foreword

We are pleased to present Sandwell Metropolitan Borough Council's Annual Governance Statement for 2022/23.

While we have recently come out of government intervention, we also recognise we still need to continue on our improvement journey.

While the Council is now working within a much stronger governance system, it will continue to take time and hard work to become fully established.

We have therefore taken the opportunity provided by the legal requirement to produce an Annual Governance Statement to take stock of our systems, to record the progress we have made and to be honest about the progress we still need to make.

We also welcomed the engagement of our Commissioners, Audit and Risk Assurance Committee and our external auditors Grant Thornton in scrutinising and challenging our systems and encouraging and supporting us to improve them further.

Councillor Kerrie Carmichael
Leader of the Council

Shokat Lal
Chief Executive

Date:

Date:

1. Introduction

- 1.1 This Annual Governance Statement (the “Statement”) is a public facing assessment of the effectiveness of Sandwell Metropolitan Borough Council (the Council’s) governance framework during 2022-23. The Statement contains three main elements:
- (i) An explanation of the Council’s governance framework and context;
 - (ii) The Council’s review of the effectiveness of the governance framework in the reporting period based on internal and external data and assessments; and
 - (iii) The Council’s assessment of significant governance issues facing the Council and its action plan to manage and mitigate those issues.
- 1.2 Delivering good governance is a process of continuous review and improvement. This Statement provides a “snapshot” of the effectiveness of governance at the point of publication within the Council’s ongoing programme to review and improve its governance, as set out in its action plans.
- 1.3 This Statement meets the Council’s duty to prepare and approve an annual governance statement under regulation 6 (1) of the Accounts and Audit (England) Regulations 2015. The Statement will be approved by the Council’s Audit and Risk Assurance Committee under its delegated powers and signed by the Committee’s Chair and the Chief Executive.

Scope of responsibility

- 1.4 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. The Council also has a statutory best value duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.5 In discharging this overall responsibility, the Council is responsible for putting in place robust arrangements for the governance of all its functions and the effective discharge of its duties and obligations, including the implementation of appropriate arrangements for the management and mitigation of risk. These arrangements are set out in this statement.
- 1.6 This statement is prepared to comply with the requirements of regulation 4(3) of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement to accompany the statement of accounts.

2. Governance

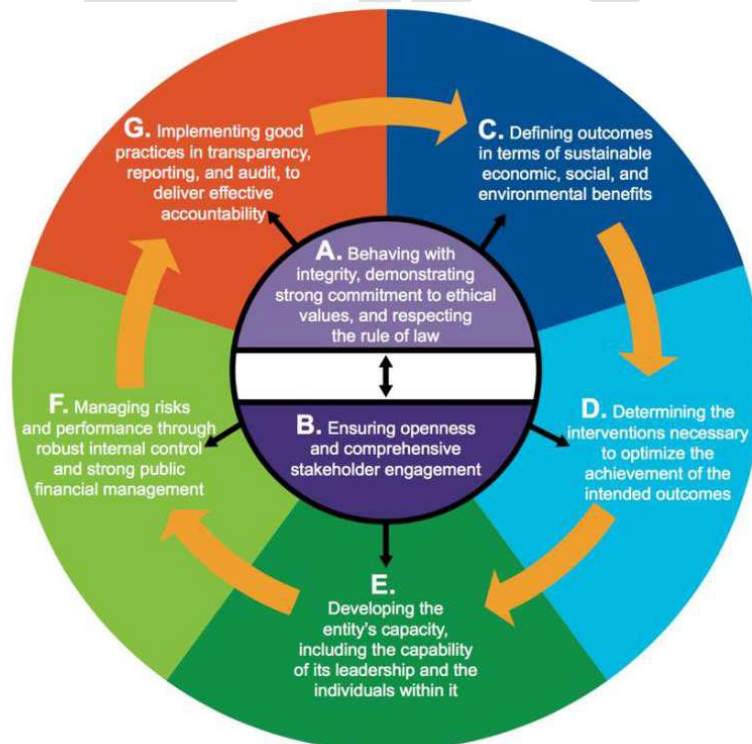
2.1 Governance is the term used to describe the system by which the Council directs and controls its functions and relate these to its communities. It is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

2.2 Good governance is vital in contributing to effective:

- (i) leadership and management;
- (ii) performance and risk management;
- (iii) stewardship of public money; and
- (iv) public engagement and outcomes for our citizens and service users.

2.3 Conversely, weak, or poor governance is likely to have a detrimental impact and the Council's ability to deliver best value.

The Council has a Local Code of Corporate Governance, in line with the latest principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework 'Delivering Good Governance in Local Government.' These principles have been adopted in this statement and details of how they operate in the Council are set out below –



2.4 The Council would advise that job titles and responsibilities referenced within this statement have, since the time period this statement covers, been subject to review and update. For purposes of clarity, the following table sets out titles used within the statement and the current designated post for purpose of this responsibility

2022/23 job title	Current job title
Director of Finance and Resources	Executive Director of Finance and Transformation
Director of Law and Governance	Monitoring Officer - Assistant Director, Legal and Assurance

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3. Governance and Control Frameworks

3.1 The Council's governance framework comprises:

- (i) a suite of governance and strategic policies and documents;
- (ii) its systems and processes of governance; and
- (iii) the Council's culture and people that direct and control the authority and its activities and through which it engages with and accounts to Sandwell's communities.

3.2 The Council's governance framework enables it to:

- (i) monitor and measure the achievement of its strategic objectives;
- (ii) deliver and measure assurance of best value;
- (iii) act ethically and openly; and
- (iv) manage risk to a reasonable level recognising that no governance framework can eliminate all risk or give an absolute assurance of effectiveness.

Extent of control and influence

3.3 This statement reflects the governance framework in place across the wider Group (the Council and companies within the substantive control of the Council) including:

- (i) **Sandwell Children's Trust Limited (SCT)** – this is a trading subsidiary company wholly owned by the Council and was set up on 1 April 2018, following a government Statutory Direction under Section 479A of the Education act 1996) to deliver children's social care services. The Council is the primary funder to the Company, with a Council director and elected member represented on the Trust's Board of Directors. There is a Service Delivery Contract (including a Service Support Agreement) between the Council and the Trust which sets out the contractual and governance arrangements between the parties.

3.4 In addition to the above, there is also a range of key services that are delivered through partnerships on behalf of the Council including with Serco, Sandwell Leisure Trust and Riverside Housing. Contracts are in place and monitored for these arrangements.

Purpose

3.5 The Governance Framework outlines the Council's culture and values and comprises the systems and processes by which the Council is directed and controlled and details those activities through which it accounts to, engages with and leads the community.

3.6 It enables the Council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services and ultimately the desired outcomes.

- 3.7 Risk management and internal control are a significant part of the Council's corporate Governance Framework and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The systems of risk management and internal control are based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 3.8 The Governance Framework has been in place at the Council for the year ended 31 March 2023 and up to the date of the approval of the delayed Statement of Accounts.

Policy Framework

- 3.9 The **Council's Vision 2030** outlines ten Ambitions for the long-term future of the Borough of Sandwell –
1. Sandwell is a community where our families have high aspirations and where we pride ourselves on equality of opportunity and on our adaptability and resilience.
 2. We have excellent and affordable public transport that connects us to all local centres and to jobs in Birmingham, Wolverhampton, the airport and the wider West Midlands.
 3. Sandwell is a place where we live healthy lives and live them for longer and where those of us who are vulnerable feel respected and cared for.
 4. We now have many new homes to meet a full range of housing needs in attractive neighbourhoods and close to key transport routes.
 5. Our workforce and young people are skilled and talented, geared up to respond to changing business needs and to win rewarding jobs in a growing economy.
 6. Our distinctive towns and neighbourhoods are successful centres of community life, leisure and entertainment where people increasingly choose to bring up their families.
 7. Our children benefit from the best start in life and a high-quality education throughout their school careers with outstanding support from their teachers and families.
 8. Sandwell has become a location of choice for industries of the future where the local economy and high performing companies continue to grow.
 9. Our communities are built on mutual respect and taking care of each other, supported by all the agencies that ensure we feel safe and protected in our homes and local neighbourhoods.
 10. Sandwell now has a national reputation for getting things done, where all local partners are focused on what really matters in people's lives and communities.



- 3.10 The Council had developed a corporate plan '**The Sandwell Plan – Big Plans**' for a Great Place that set out what the Council would do to deliver Vision 2030 and the 10 Ambitions over the next five years and was based upon six strategic outcomes. The driving theme behind the Plan was One Team: One Council, to reflect a culture of the organisation through strong leadership in an honest, open and transparent environment.

In 2024 the Council produced a new “Council Plan 2024-2027”. The plan centres around four strategic themes:

- Growing up in Sandwell
- Living in Sandwell
- Healthy in Sandwell
- Thriving Economy in Sandwell

All underpinned by One Council One Team

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4. Decision-making

The Constitution

- 4.1 The Council has a Constitution which sets out its rules for decision making and the checks and balances in place to ensure decision making is lawful, subject to scrutiny and is open and transparent, including but not limited to:
- (i) An **ethical framework** with Codes of Conduct for both Councillors and officers and obligations to register and declare private interests and gifts and hospitality;
 - (ii) Clear delineation of the **separation of powers** between those exercised by the Leader and Cabinet and by Full Council and the powers delegated to committees by Full Council set out in their terms of reference;
 - (iii) **Access to information rules** requiring decision making and other formal meetings of Councillors are held with advance notice in public and public access to all relevant documentation, unless the Council can demonstrate it is in the public interest to withhold the information;
 - (iv) **Financial Procedure Rules** to govern how public money delivers best value;
 - (v) **Contract Standing Orders** to govern how the Council procures goods, services and works from external contractors; and
 - (vi) A protocol on how Councillors and officers should work together (the “**Member-Officer Protocol**”):
- 4.2 The Full Council and the Leader and Cabinet have also agreed a **Scheme of Delegation** of executive and non-executive powers to officers. Corporate Directors are required to agree a scheme of delegation for the exercise of powers to officers within their directorates. The Leadership Team (see below) has agreed standard delegations to officers at tiers 3 and 4 of the officer structure.
- 4.3 In addition to the Constitution, the Council must comply with the general law as it governs local authorities and as interpreted by the courts. The constitutional rules are supplemented on an operational level by the Council’s clear framework for forward planning of decisions and workflows to ensure high quality evidence-based decision-making. The Constitution can be found on www.sandwell.gov.uk and includes the scheme of delegation.

The Leader and Cabinet

- 4.4 The Council has adopted the strong ‘leader and cabinet’ form of executive arrangement under the Local Government and Public Involvement in Health Act 2007 with a Cabinet of up to ten Councillors, meeting in public to make executive decisions on matters of strategy and borough-wide significance.
- 4.5 Each Cabinet Member also has a portfolio of responsibility for the delivery of services, which are aligned to each of the 10 Vision Ambitions, for which they are accountable.

- 4.6 The Leader has agreed a scheme of delegation of executive powers under which:
- (i) The Leader and Cabinet make significant decisions collectively, save in cases of urgency.
 - (ii) The Leader and Cabinet make all key decisions with a value over £500,000 or where there is a significant effect on two or more wards.
 - (iii) A Scheme of Delegation of all other “non-key” decisions are delegated to officers with powers dependent on their seniority and areas of responsibility.
- 4.7 The Constitution and the statutory framework governing local authorities reserve specific decision-making powers to the Full Council of all the Councillors. Most importantly, this includes the power to set the annual budget and Council tax and agree major policies. The Leader and Cabinet must make decisions within the budget and policy framework set by the Full Council.
- 4.8 Full Council appoints committees to makes decisions in specific areas, such as planning, licensing and audit. Each committee has terms of reference setting out their delegated powers. Full Council and committees also delegate powers to officers. Full Council agrees its Scheme of Delegation of Powers to officers at every annual Council meeting in May.
- 4.9 The Audit and Risk Assurance Committee is critical to the oversight of good governance as its remit includes receiving assurance on the Council’s financial management, internal control and anti-fraud measures, including the approval of the Council’s statement of accounts which includes this Statement.

Overview and Scrutiny

- 4.10 Full Council must appoint one or more member bodies to discharge statutory overview and scrutiny functions. The Council has 5 Scrutiny Management Boards –
- (i) Budget and Corporate Scrutiny Management Board
 - (ii) Children's Services and Education Scrutiny Board
 - (iii) Economy, Skills, Transport and Environment Scrutiny Board
 - (iv) Health and Adult Social Care Scrutiny Board
 - (v) Safer Neighbourhoods and Active Communities Scrutiny Board
- 4.11 Each Scrutiny Management Board agrees an annual work plan focusing on strategic priorities and adopts a “critical friend” approach towards the Leader and Cabinet. The most effective scrutiny occurs pre-decision and the Council’s Overview and Scrutiny committees now each have a pro-active work programme. However, if a Scrutiny Management Board wishes to review a Cabinet decision after it has been made, it can exercise its power of call in.
- 4.12 Each Scrutiny Board may make recommendations to the Leader and Cabinet on the decision, who are required to reconsider their decisions taking account of any scrutiny recommendations.

All Councillors

4.13 The Council's practices are underpinned by three overarching principles:

- (i) **Respect for others.** Councillors should promote equality by not discriminating unlawfully against any person and by treating people with respect, regardless of their sex, sexual orientation, gender reassignment, race, religion and belief, disability, age, marriage and civil partnership. They should respect the impartiality and integrity of the Council's statutory officers and its other employees.
- (ii) **Duty to uphold the law.** Councillors should uphold the law and, on all occasions, act in accordance with the trust that the public has entrusted in them.
- (iii) **Stewardship.** Councillors should do whatever they are able to do to ensure that the Council uses its resources prudently and in accordance with the law.

Conduct and behaviour of Councillors

- 4.14 The Council has a clear ethical framework based on the Standards of Conduct in Public Life (the Nolan Principles). The Monitoring Officer is the Council's lead officer for maintaining high standards of conduct in the authority reporting to the Ethical Standards and Member Development Committee. The Committee has an independent (non-voting chair) and a further independent person appointed under the Localism Act 2011 to provide advice to the Monitoring Officer, the Committee and individual Councillors subject to complaints.
- 4.15 There is a Code of Conduct for Councillors, including obligations to register and declare specific private interests at meetings (and not participate where required) and to declare gifts and hospitality from third parties. Councillors are required to receive training on the Code of Conduct and ethical standards.
- 4.16 The Council has a complaints procedure for the consideration of complaints that a Councillor has breached the Code of Conduct. The Monitoring Officer is responsible for handling complaints and may require a complaint to be investigated. The Monitoring Officer may refer an investigation to a hearing by the Ethical Standards and Member Development Committee to determine whether a Councillor has breached the Code of Conduct and, if so, the sanction.
- 4.17 A Code of Conduct for employees and disciplinary policy is in place with an obligation to declare and register private interests and gifts and hospitality from third parties.
- 4.18 The Council's Ethical Standards and Member Development Committee has an annual work plan and receives a regular report on the Ethical Framework providing details of the declarations and conduct in the reporting period to identify issues and patterns for the Monitoring Officer and Full Council to consider.
- 4.19 The Council is committed to creating and maintaining an anti-fraud culture and high ethical standards in the administration of public funds. Commercial relationships between the Council and third-party organisations or individuals are subject to a robust due diligence process.

Officers

- 4.20 The Council's officers are employed to advise Councillors on matters of policy and strategy and to implement decisions at operational level using delegated powers (agreed under the Scheme of Delegation). Officers manage the Council's staff and all other aspects of day-to-day operations. The Council's management structure can be found in the Constitution.
- 4.21 The Council's Member Officer Protocol provides practical guidance on how Councillors and officers work together positively, respecting their different roles in delivering the Council's priorities. The Protocol provides guidance on the boundaries between the roles and responsibilities of Councillors and officers and can be found the councils website.
- 4.22 The Council has appointed officers to discharge powers that must be assigned to an individual officer, collectively known as statutory officers. There are three principal statutory officers for governance purposes (known as the "golden triangle"):
- (i) **Head of Paid Service** is the Chief Executive, who is responsible for all Council staff to deliver the Council's services and functions;
 - (ii) **Section 151 Officer** is the Director of Finance and Resources, who is responsible for ensuring the proper administration of the Council's financial affairs and ensuring value for money; and
 - (iii) **Monitoring Officer** is the Director of Law and Governance, who is responsible for ensuring legality and promoting high standards of public conduct.
- 4.23 Both the s.151 officer and monitoring officer have a statutory duty to suspend a Council decision being made if they consider it is likely to result in unlawful expenditure in the case of the s.151 officer or an unlawful decision in the case of the monitoring officer. The s.151 officer must also ensure the Council sets a balanced budget each year and reports on the robustness of the Council's finances as part of the annual budget.
- 4.24 Other key statutory officers include:
- (i) **Director of Children's Services**, who is responsible for the safeguarding of all children and young people;
 - (ii) **Director of Adult Social Services**, who is responsible for safeguarding of vulnerable adults and meeting the needs of all adults with social care needs; and
 - (iii) **Director of Public Health**, who has overall responsibility for the Council's duties to assess, protect and improve the health and wellbeing of the people in its area.
- 4.25 The Strategic Leadership Team (SLT) is the Council's senior officer group led by the Chief Executive and comprises the Council's Directors and other key officer invitees as required.
- 4.26 SLT has overall responsibility and accountability for the vision and culture of the organisation, the implementation and development of political strategies and priorities, the organisation and management of staff and delivery against the Council's priorities. Whilst SLT as a body has no formal delegated decision-making powers, its members agree to exercise their

delegated powers in a consistent way across the Council and the rationale for doing so.

- 4.27 SLT provides a leading role in setting the culture of the authority and modelling standards of behaviour and performance, including ensuring it seeks and listens to feedback from staff and their representatives (trade unions).
- 4.28 Directors are personally accountable for the performance of services, compliance with Council policies and practices and systems of internal control within their directorate. The s.151 officer requires Directors to provide an annual letter providing assurance about their services and budget delivery and raise any concerns. These letters are reviewed by the s.151 officer and Finance for any concerns and issues and will be used in future performance management processes and will also provide supporting evidence when the Council undertakes a further self-assessment against the CIPFA Financial Management Code to demonstrate the Council has an effective framework of financial accountability. Each Directorate has a management structure to cascade information, guidance and decisions from SLT through the organisation and to allow for feedback back into SLT.
- 4.29 The Council has a framework for the training and development of members and officers at all levels to ensure it has the capacity to meet the demands of delivering the Sandwell Plan 2024-2027.
- 4.30 SLT and the Leader and Cabinet work collaboratively to deliver the Council's priorities and progress the development of policy through forward planning and cabinet reports. There are weekly joint briefing meetings and individual directors work with their respective Cabinet lead members, including consultation on the exercise of delegated powers and the development of future Cabinet reports within the portfolio. Outcomes from these meetings are fed into SLT and Cabinet and joint meetings to ensure cross-cutting issues are identified and addressed.

5. Putting the principles into practice in Sandwell

- 5.1 Sandwell Council is confident that its governance arrangements are robust. Following central government intervention and the appointment of independent Commissioners the Council has reviewed, with the assistance of external specialist organisations, its corporate arrangements and has implemented a schedule of changes. The Council recognises, however, that improvement and progress will need to continue and evolve in order that we continue to respond to extensive change and to meet rising government and customer expectations about the quality and responsiveness of services.
- 5.2 During 2022/23 the Council had an Improvement Plan in place that was monitored monthly by Leadership Team and quarterly by Cabinet, Audit and Scrutiny. The Council reported its progress to Central Government every six months. Significant progress has been made to deliver the actions within the Improvement Plan and the Council's progress has been recognised by the Commissioners and by our external reviewers (Grant Thornton, CIPFA and the Local Government Association (LGA)) who conducted follow up reviews in late 2022.
- 5.3 At the Cabinet meeting in March 2024, it was reported that following the latest Grant Thornton review in October 2023, the External Auditors were satisfied that the council had made appropriate progress against the three statutory recommendations, and these had been lifted. Also, at the same Cabinet meeting it was noted that following the latest report to the Secretary of State in December 2023, government ministers concluded that the Statutory Directions would be lifted, and the council has now come out of intervention as a result of the improvements that had been made.
- 5.4 The Council acknowledges the amount of work ahead to continue the Council's improvement. Key areas of focus are organisational culture, customer journey, transformation and delivering the Medium-Term Financial Strategy.

5.5 As indicated above, the Council's governance framework is consistent with the seven core principles of the CIPFA / SOLACE framework –

Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Ensuring openness and comprehensive stakeholder engagement

Defining outcomes in terms of sustainable economic, social and environmental benefits

Determining the interventions necessary to optimise the achievement of the intended outcomes

Developing the entity's capacity, including the capability of its leadership and the individuals within it

Managing risks and performance through robust internal control and strong public financial mismanagement

Implementing good practices in transparency, reporting and audit to deliver effective accountability

GOVERNANCE STATEMENT

5.6 Key elements of Council systems and processes form part of the Group’s Governance Framework and the table below sets out the evidence relied upon that provides assurance that the CIPFA/ SOLACE framework has been complied with –

Core Principles of the CIPFA/ SOLACE Framework	Governance Framework Providing Assurance	Assurances Received and Review of Effectiveness	Issues Identified for action
<ul style="list-style-type: none"> • Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. • Ensuring openness and comprehensive stakeholder engagement. • Defining outcomes in terms of sustainable economic, social and environmental benefits. • Determining the interventions necessary to optimise the achievement of the intended outcomes. • Developing the entity’s capacity, including the capability of its leadership and the individuals within it. • Managing risks and performance through robust internal control and strong public financial management. • Implementing good practices in transparency, reporting and audit to deliver effective accountability. 	<ul style="list-style-type: none"> • The Constitution (including the Head of Paid Service, Monitoring Officer and Chief Financial Officer • Director of Public Health • Corporate Plan • Medium term financial plan • Strategic risk register • Scrutiny Function • Codes of conduct • Schemes of delegation • Ethical Standards and Member Development Committee • Audit and Risk Assurance Committee • Internal and external audit • Independent external reviews (Ofsted, ICO) • Code of Corporate Governance • Whistleblowing and Anti-Fraud and Corruption Strategy • Information Governance Board • Procurement and Contract Procedure Rules and Financial Regulations • Modern.gov - Committee management information system • Children’s Trust Strategic Partnership, Operational Partnership and Improvement Board • Customer Complaints and compliments system (My Sandwell portal) • Schools Forum • Health and Safety 	<ul style="list-style-type: none"> • Grant Thornton – Value for Money Governance Review • CIPFA’s Financial Management Review • LGA Corporate Peer Challenge • Annual Statement of Accounts (delayed) • External Audit – Audit Findings Report (delayed as a result of the above) • Annual Internal Audit Report • Audit and Risk Assurance Committee Annual Report • Member and Executive Development Programmes • Ofsted Annual Report of HMCI of Education, Children’s Services and Skills • Annual Local Government Ombudsman report • Annual Fraud Report • Sandwell Safeguarding Adult’s Board and Children’s Board Annual Reports • Annual Scrutiny Report • Investors in People • Ofsted monitoring visits • Sandwell Children’s Trust Ltd Statement of Internal Control • Staff surveys • Self-Assessment - Financial Management Code 	<p>As detailed later in this Statement, following a range of external reviews from 2021/22, primarily the Grant Thornton Governance Review, LGA Corporate Peer Challenge the CIPFA Financial Management Review and the Statutory Directions from the Secretary of State for Levelling Up, Housing and Communities, a number of statutory, key, improvement and other recommendations were made. These formed the basis of the Council’s Improvement Plan which incorporated these recommendations. These were the key drivers for improving the Council’s governance arrangements during 2022/23.</p>

5.7 As detailed later in this Statement, following a range of external reviews, primarily the Grant Thornton Governance Review, LGA Corporate Peer Challenge the CIPFA Financial Management Review and the Statutory Directions from the Secretary of State for Levelling Up, Housing and Communities, a number of statutory, key, improvement and other

recommendations were made. These formed the basis of the Council's Improvement Plan which incorporated all these recommendations. This was the key driver for improving the Council's governance arrangements going forward.

- 5.8 In reviewing the Council's priorities and its implications for its governance arrangements, the Council carries out an annual review of the elements that make up the governance framework to ensure it remains effective.

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6. Key changes and challenges

6.1 The key changes to the Governance framework during 2022/23, or after the year end but prior to this statement being finalised include:

- Following national government intervention in March 2022, an interim Chief Executive was appointed as the Managing Director/Commissioner and was responsible for the oversight of the Council's Corporate Improvement Plan. A new Chief Executive was appointed by the Council in November 2022 and commenced with the Council in February 2023.
- A new senior management structure was approved by Full Council in October 2023. As of August 2024, recruitment to the new Executive Director posts is nearing completion.
- Following the Value for Money Governance Review conducted by Grant Thornton, Council approved an Improvement Plan in January 2022 which responded to the 37 recommendations of that report. This included three Statutory Recommendations. This Improvement Plan was revised and expanded in June 2022 to incorporate the recommendations from the LGA Corporate Peer Challenge (February 2022), the CIPFA Financial Management Review (February 2022) and Statutory Directions received from the Secretary of State for Levelling Up, Housing and Communities. A comprehensive assurance framework has been established to ensure not only progress in achieving the activity required, but that the necessary improvements had been embedded and were sustainable. This included regular monitoring, capturing evidence of impact, reporting to Audit and Risk Assurance Committee and Budget and Corporate Scrutiny Management Board and inviting external reviewers to undertake follow-up visits. Further detail on the Council's Improvement Plan and framework is set out below.
- At the Cabinet meeting in March 2024, it was reported that following the latest Grant Thornton review in October 2023, the External Auditors were satisfied that the council had made appropriate progress against the three statutory recommendations, and these had been lifted. Also, at the same Cabinet meeting it was noted that following the latest report to the Secretary of State in December 2023, government ministers concluded that the Statutory Directions would be lifted, and the council has now come out of intervention as a result of the improvements that had been made.
- The Council has completed a review of its Scrutiny arrangements. A change programme arising from the review has been implemented and progress is being embedded and monitored.
- A holistic review of governance arrangements commenced in March 2022, following the review of corporate decision making by the Council's external auditor and the Local Government Association.
- A Towns Deal Superboard was dissolved and three local boards were established to oversee the delivery of the Towns Fund Programme and the projects within the town deal areas, respectively.
- An Equalities Commission was set up to provide further understanding and assurance on equalities across the Council. A dedicated Equality, Diversity and Inclusion service was established in 2022 to support delivery of the Commissions ambitions. The EDI (Equality, Diversity and Inclusion) Strategic Roadmap and Action Plan was introduced in 2022.

- Implementation of a Corporate Performance Management Framework from April 2022, covering Council performance against a suite of measures and progress in delivering outcomes in the Corporate Plan. Regular reporting to senior officers, Cabinet and Scrutiny Committees has seen an increased level of corporate oversight of key issues and action taken as a result, such as the Customer Journey Programme.
- Establishment of a Cyber Board to ensure that the Council has an awareness of, identifies, monitors and manages any cyber related risks.
- Development and approval of a Climate Change Strategy 2020-2041 for Sandwell.
- Statutory Officers Group was established to provide a forum for the Chief Executive and Head of Paid Service, Director of Law and Governance and Monitoring Officer and Section 151 Officer to discuss issues and matters arising in relation to their respective statutory roles, functions, duties, powers and responsibilities. The group continues to meet with political group leaders and secretaries with a focus on the Council's governance infrastructure.
- The launch of 'My Councillor' portal – a platform to efficiently progress Councillor casework across the Council commenced in March 2021. This continues to provide members with an electronic casework system and is scheduled to be reviewed as part of the Council's commitment to improving relationships with its customers.
- The Council's Contract Procedure Rules and Financial Regulations were reviewed and revised following feedback from an independent CIPFA review. Changes were approved by Council in September and November 2022.
- Self-assessment against the CIPFA Financial Management Code.

7. 2022/23 Review of Effectiveness

- 7.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control.
- 7.2 The review of effectiveness is informed by the work of Councillors and senior officers within the Council who have responsibility for the development and maintenance of the governance framework, Internal Audit's annual report, the Audit and Risk Assurance Committee, the Ethical Standards and Member Development Committee, the Governance and Constitution Review Committee, the Scrutiny function and reports made by the Council's external auditors and other review agencies and inspectorates (all of which are publicly available through the Council's website).
- 7.3 During the previous year (2021/22) the Council had several external reviews primarily the Grant Thornton Governance Review, LGA Corporate Peer Challenge, the CIPFA Financial Management Review and the Statutory Directions from the Secretary of State for Levelling Up, Housing and Communities. Where appropriate, the continuing progress made following these reviews has also informed the annual review of effectiveness for 2022/23.
- 7.4 A key component of the review of effectiveness is through the work of the Council's Audit and Risk Assurance Committee and during the year the Committee continued helping to ensure that the Council had a modern, effective and risk focussed Committee. The Committee maintained its focus on the Council's risk management arrangements, gaining an increased assurance that the Council was managing its strategic risks effectively and maintained a strong working relationship, through regular meetings with the Council's External Auditors Grant Thornton, the Internal Auditors and Senior Officers.
- 7.5 Several recommendations regarding the way the Committee operates were made in the Grant Thornton Value for Money Governance review and these were incorporated into the Council's Improvement Plan and continue to be monitored. In their report following their return visit in October 2022, Grant Thornton noted that in relation to the Audit and Risk Assurance Committee they "found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks". All recommendations from Grant Thornton's initial Governance Review and their follow up visit have now either been embedded within business as usual or have been addressed.

Commissioners' Progress Reports

- 7.6 Commissioners' monitored the Council's progress in delivering the Improvement Plan. Regular meetings took place between Commissioners, the Chief Executive, Leadership Team and statutory officers. Commissioners also met with the Leader, Cabinet Members as required.
- 7.7 The Commissioners report to the Secretary of State on the Council's progress every six months. Reports have been published in December 2022, March 2023 and July 2023. Their fourth report was submitted to the Secretary of State in December 2023.
- 7.8 The first Commissioners' report to the Secretary of State observed the need for very tangible changes to be made in the Council in the immediate term reflecting the then early stages of the intervention with a recognition that "there are many challenges ahead". It was

acknowledged that the Council had adopted a single improvement plan which encompassed actions in relation to all the recommendations in best value, governance and financial reviews. In turn, Commissioners had developed twelve “proxies for success” intended to use to evaluate progress during this intervention period.

- 7.9 Commissioners pointed to several early indicators of welcome progress including the arrival of new officers, the willingness of Sandwell’s Cabinet and Councillors to start to respond to the recommendations from the reviews and very early signs of culture change.
- 7.10 The Commissioners second report to the Secretary of State provided commentary on improvements they have seen at the Council since June 2022 and made further comment on follow up reviews conducted by Grant Thornton, CIPFA and the Local Government Association. The Commissioners also confirmed the Council’s appointment of a permanent Chief Executive. The Commissioners submitted an addendum to the report to account for the CIPFA review being finalised after the report was submitted.
- 7.11 In their July 2023 report, Commissioners concluded that there was cautious optimism for the improvement journey of the Council. Commissioners found the Council’s leadership at political and officer level, had shown grip and determination to improve at pace and that if the level of focus, energy and commitment observed was maintained, then the required progress would be made. Commissioners in turn signalled their beginning to step back from the Council and have challenged Sandwell to demonstrate its ability to take forward its improvement independently.
- 7.12 Following the Commissioners’ fourth report in December 2023, government ministers concluded that the Statutory Directions would be lifted, and the Council has now come out of intervention because of the improvements that had been made.

Internal Audit

- 7.13 Internal Audit reviewed itself against the governance arrangements set out in the CIPFA Statement on the Role of the Head of Internal Audit and the Council can confirm that the arrangements conform to these requirements and general compliance with the Public Sector Internal Audit Standards.
- 7.14 The Internal Audit Opinion for 2022/23 given in their annual report, was that Internal Audit were able to provide reasonable assurance that the Council had adequate and effective governance, risk management and internal control processes.
- 7.15 They also noted that they had issued four limited assurance reports during the year. Similarly, there had continued to be delays in the finalising and signing-off of the Council’s Statement of Accounts including (at the time) for both 2020/21 and 2021/22. This had a subsequent effect in delaying the receipt of the Annual External Auditor’s Reports, which can be used to help inform the annual internal audit opinion and in the ability to produce the Annual Governance Statement in a timely manner.
- 7.16 During the 2022/23 year Internal Audit completed 27 pieces of work where a level of assurance was given, these were split as follows.

Level of Assurance	Number of Reviews
Substantial	7
Reasonable	16
Limited	4
None	-

External Audit

7.17 As referred to elsewhere in this Statement, following delays in the completion and sign-off of the 2020/21 Statement of Accounts, in August 2024, the Council’s External Auditors Grant Thornton finalised their audit of the Statement of Accounts for 2021/22.

CIPFA’s Statement on the Role of the Chief Financial Officer in Local Government

7.18 The Council is required to confirm whether its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government. The Statement sets out five principles which define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them.

7.19 The Director of Finance left the Council in September 2023 and an interim s.151 Officer was appointed in September 2023. The interim s.151 Officer left the Council in May 2024, and a new Executive Director of Finance and Transformation took up their role under the new senior management structure. A review of the role of the Council’s s.151 Officer against the CIPFA Statement on the Role of the Chief Finance Officer will be undertaken.

7.20 The Chief Finance Officer has been involved in preparing this statement and is satisfied that no matters of significance have been omitted from it.

Managing the risk of Fraud and Corruption

7.21 The Council has embedded effective standards for countering fraud and corruption through the adoption of and adherence to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The Code is based on five principles and having considered these, the Council is satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Sandwell Children’s Trust Limited

7.22 The Sandwell Children’s Trust became fully operationally on 1 April 2018. The Trust while owned by the Council has day-to-day operational independence with regards to its management and the delivery of children’s social care services and is managed by a board of non-executive and executive directors. The Trust’s accounts are audited separately by external auditors and for 2022/23 an unqualified opinion was provided.

7.23 The Trust’s Internal Auditors provided reasonable assurance that the Trust had adequate and effective governance, risk management and internal control processes.

- 7.24 The statutory duty to provide children's social care services, however, remains with the Council. As such, comprehensive governance arrangements including Operational and Strategic Partnership Boards and a Service Delivery Contract and are in place to enable the Council to monitor progress of the Trust, consider performance and operational issues on a regular basis and hold the Trust Board to account.
- 7.25 Following their inspection of Children's Services in May 2022 Ofsted concluded that services 'require improvement to be good'. This represented significant progress as Children's Services had been rated inadequate by Ofsted for more than a decade. They praised improved governance and effective relationships between the council and Trust, noting that the new Chief Executive at the Trust had worked effectively with senior leaders to set a clear strategic pathway which had already changed the culture and begun to improve services for vulnerable children and families. However, their report did highlight areas for further improvement, particularly around supporting children out of neglectful situations quicker, and planning the transition into care more effectively.
- 7.26 In July 2023 Ofsted and the Care Quality Commission undertook an Area SEND inspection of the Sandwell Local Area Partnership. The inspection outcome was that the local area partnership's arrangements lead to inconsistent experiences and outcomes for children and young people with special educational needs and/or disabilities (SEND). They highlighted that the local area partnership must work jointly to make improvements and made a number of recommendations.

The Financial Management Code

- 7.27 The Council undertook a self-assessment exercise against the new Financial Management Code. The Code includes the following core principles by which authorities should be guided in managing their finances:
- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 - Accountability – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
 - Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.
 - Adherence to professional standards is promoted by the leadership team and is evidenced.
 - Sources of assurance are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit and inspection.
 - The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.
- 7.28 The self-assessment found the Council to be in compliance with the Code. However, there were a limited number of matters where areas for improvement were identified. As a result of this, an action plan was prepared and its implementation continued throughout the year.

Constitution Review

- 7.29 The ongoing review of the Council's constitution and decision-making processes has continued during 2022/23 and this work will continue during up to 2024. The review to date has introduced changes to Cabinet, Executive Member and Officer delegation, a refresh of the Financial Regulations and Procurement and Contract procedure Rules; a review of the Scrutiny function around pre decision making and policy development; update to the Council's decision-making arrangements including the forward plan and report templates and report writing.
- 7.30 All elements of the constitution will have been reviewed by 2024. The review is being overseen by the Governance and Constitution Review Committee with the opportunity for all Councillors to be involved in the construct of any changes.
- 7.31 New Member and Executive Development Programmes have been delivered that have informed by the needs of Members and focus on their development, training and support requirements from both a corporate and personal Councillor perspective. A newly elected Councillor induction programme was introduced in 2021 and has been subject to annual review and refresh to best meet the needs of those new to the Councillor role.

8. Significant Governance Issues

8.1 Based on the outcome of several external reviews, as already referenced throughout this statement, culminating in the Council's Improvement Plan, this is a summary of the key areas where issues were identified, and action is being taken to make the necessary improvements.

Value for Money Governance review

8.2 In December 2021 Grant Thornton issued their Value for Money Governance review making a number of recommendations which remained relevant throughout 2022/23:

Statutory Recommendations

- It is imperative that senior officers and senior members take effective corporate grip of long-standing service issues highlighted by the findings in this report (including SLT, SCT, the waste service, the ERP system and Lion Farm) and prioritise corporate effort in managing the issues identified and embed the solutions into the Council.
- The Council must ensure that the learning in relation to commercial decisions, procurement and contract management highlighted in this report are understood through the organisation.
- Senior leadership, both officers and members, must demonstrate that they can continue to work together effectively, that they operate in line with the Council's values, codes, policies and procedures and that there is zero tolerance to inappropriate behaviours. This includes changing the organisational culture in relation to complaints so that they restore balance and proportionality.

Key Recommendations

- The Council's leadership needs to be relentless in its focus in delivering and embedding sustainable change and use its past history as a reference point when focusing on improvement.
- Critical to embedding the transformation and change required will be the appointment of the right permanent Chief Executive. The Council must ensure an effective recruitment process, including attracting a pool of appropriate candidates.
- The Council should ensure that a corporate performance framework is agreed so that the implementation of the Corporate Plan can be effectively monitored and there is collective corporate responsibility rather than silo working.
- Members in key statutory roles, particularly relating to Cabinet, scrutiny, standards and audit, need to be provided with effective induction and ongoing development, training and support. The member development programme should be reviewed to ensure corporate governance forms part of the training for members with governance roles.
- The Council should develop and agree an action plan in relation to the statutory, key

and improvement recommendations, ensuring that they are specific, measurable, attainable, realistic and time bound.

8.3 A range of Improvement Recommendations were also made across the following key lines of enquiry:

- The Children's Trust
- Sandwell Leisure Trust
- Providence Place
- Sandwell Educational Needs Transport
- Sandwell Land and Property Company
- MADE Festival
- Waste Service
- Governance and Legal Support re: DPH
- Lion Farm
- Introduction of new ERP system (Oracle)
- Chief Officers
- Senior Leadership
- Complaints
- Officers and Members relationships
- Ethical Standards and Member Development Committee
- Audit and Risk Assurance Committee
- Financial Reporting

8.4 CIPFA were also commissioned by the Council to undertake a review of the financial management and governance arrangements using the Financial Management Model to contribute to the development of the Council's financial management operation and arrangements. It assessed the Council's financial management capability, its internal processes and operations. It also examined how the Council plans its future financial management.

8.5 The report from CIPFA received in January 2022 set out that the Council was financially stable and in recent years had been able to contribute towards reserves through achieving a balanced budget or an underspend, but that the authority had previously lacked ambition and innovation and had a very traditional approach to financial management. The scoring process generated an overall star rating between one and five, five being the highest. The Council achieved an overall rating of two stars and considered to be a progressive two-star authority with an encouraging direction of travel. In total CIPFA made 14 recommendations.

8.6 Following the various external reviews an Improvement Plan was agreed by Council in June 2022. The Improvement Plan incorporated all of the recommendations from the Grant Thornton Governance Review, the LGA Corporate Peer Challenge and the CIPFA Financial Management Review, as well as the Statutory Directions from the Secretary of State for Levelling Up, Housing and Communities. Risk management was also embedded within the Council's programme management of the Improvement Plan and a risk register has been developed which underpins the Council's strategic risk relating to the Improvement Plan.

8.7 The implementation of the recommendations in the Improvement Plan has been recognised as the key driver in enabling the Council to improve its governance processes going forward.

- 8.8 The LGA, Grant Thornton and CIPFA conducted follow-up reviews in Autumn 2022 to evaluate the Council's progress on implementing the specific recommendations from those individual reviews. The findings from the follow-up visits from Grant Thornton, the LGA and the CIPFA FM Model Re-assessment Report were received in December 2022/February 2023. They indicated that good progress was being made, with CIPFA identifying that Sandwell had moved to a 3-star rating since their initial review less than a year before. Progress has been reported through the appropriate routes.
- 8.9 The Improvement Plan was regularly refreshed through a documented Change Control process. This enabled the Plan to be a living document and incorporate key areas for improvement, such as those arising from the external reviews follow up visits. It also enabled actions to be closed when completed, or transition from implementation to monitoring/assurance activity. These changes were implemented on a quarterly basis and reported to Cabinet.

Future Assurance

- 8.10 As part of the governance and assurance arrangements the Council has developed a new Council Plan 2024-2027 to incorporate the ongoing activity from the Improvement Plan so that the Council could move towards a single plan covering all key strategic priorities.
- 8.11 Following the end of government intervention in March 2024, the Improvement Plan programme has ended as a separate governance process.
- 8.12 Sustained improvement activity has been embedded into existing arrangements. Where actions on the Improvement Plan remain 'open' at the close of the programme, these have been mapped to existing plans and governance arrangements (for example - local, business, and corporate plans) and recorded in an Assurance Plan. This Assurance Plan will be built into the quarterly corporate performance management reporting arrangements for 2024/25 to ensure continued oversight of key workstreams whilst ensuring that the council continues its improvement journey.

To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year except for those areas identified as requiring improvement. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.



Shokat Lal
Chief Executive



Councillor Kerrie Carmichael
Leader of the Council

Date:

Date:

DRAFT

GLOSSARY

Accruals – Income and expenditure are recognised as they are earned or incurred, not as money is received or paid (see Debtors and Creditors)

Accumulated Compensated Absences – Employee benefits, such as annual leave, which are earned on an accruals basis and which would result in a payment being made to the individual for any balance untaken.

Amortisation - A routine decrease in value of an intangible asset, or the process of paying off a debt over time through regular payments.

Balance Sheet - A statement of the assets, liabilities and other balances at the end of an accounting period. The Balance Sheet combines all the accounts of an authority, excluding trust funds, as they are not at the disposal of the council.

Call Accounts – Investment accounts within which the council deposits surplus funds in order to generate interest where funds can be withdrawn with no advance notice.

Capital Adjustment Account - This account contains the resources set aside to meet the cost of past expenditure. These include capital receipts, released grants and contributions and sums set aside for debt redemption. It also contains any balances from revaluation of assets pre 1 April 2007.

Capital Charge - A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services. This reflects only depreciation.

Capital Commitment - Future Capital expenditure that has been committed on long term assets over a period.

Capital Expenditure - Expenditure on acquisition, improvement or enhancement of either the council's or third-party assets are defined as capital expenditure. Expenditure, which merely maintains the value, e.g. repairs and maintenance is charged to revenue.

Capital Receipts Unapplied - Proceeds received from the sale of non-current assets which have not yet been used to finance capital expenditure or repay debt. Capital receipts can only be used to fund capital expenditure.

Cash Equivalents – Funds invested in call accounts and 30 day notice accounts which are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash Flow Statement - A summary of cash movement (actual or anticipated incomings and outgoings) in an accounting period (month, quarter, year).

Cash Overdrawn - This represents the cash overdrawn position at the balance sheet date including both capital and revenue.

CI&ES – Comprehensive Income & Expenditure Statement

Code - The rules and regulations governing the information and layout of the council's Statement of Accounts.

Collection Fund - A fund administered by the council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipts of non-domestic rates collected on behalf of Central Government.

GLOSSARY

Community Assets - Assets that the council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Creditor - An amount owed by the council for work done, goods received or services rendered but for which payment has not been made.

CSE – Child Sexual Exploitation

Current Assets - An asset where the value changes because the volume held varies from day to day e.g. inventories. It is reasonable to expect that these assets will either be consumed or realised during the next accounting period e.g. cash and bank balances, debtors.

Current Liabilities - An amount which will become payable or could be called in within the next accounting period e.g. creditor, cash overdrawn.

Debtor - A sum of money due to the council but not received at the balance sheet date.

Deferred Creditors - These are amounts owing by the council where payment is to be made in instalments over a predetermined period of time in excess of one year.

Deferred Debtors - These are amounts due to the council where payment is to be made by instalments over a predetermined period of time in excess of one year.

Deferred Government Grants & Contributions - Grants and contributions received towards the cost of capital expenditure. These are credited to revenue over the life of the asset created to match depreciation charged on the asset.

Depreciation - The measure of the consumption of a non-current asset in delivery of a service charged to the revenue account.

DRC - Depreciated Replacement Cost. A method of valuation which provides the current cost of replacing an asset with its modern equivalent.

Emoluments - These are payments received from employment, usually in the form of wages, salaries or fees.

Exceptional Items - These are material items, which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Extraordinary Items - These are material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fair Value - The fair value is the estimated value of all assets and liabilities - The price that would be received to sell an asset or paid to transfer a liability.

Finance Lease - A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

GLOSSARY

General Fund - The General Fund contains all the financial transactions of the council (with the exception of the Collection Fund and Housing Revenue Account).

Government Grants - These represent assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the council.

Heritage Assets – Those assets which are primarily held and maintained for knowledge and cultural purposes.

Housing Revenue Account - Housing authorities are required to keep a separate Housing Revenue Account which includes the expenditure and income arising in connection with the provision of housing accommodation by a local authority. The balance represents the accumulated surplus. The account is ring fenced, meaning it cannot either give or receive subsidy from the General Fund.

IAS – International Accounting Standards.

IFRIC – International Financial Reporting Interpretations Committee.

IFRS – International Financial Reporting Standards.

Income Statement - An accounting of sales, expenses and net profit for a given period. An income statement shows the movement of Income and Expenditure over a given month, quarter or year.

Inventories - The value of raw materials and stores the council has procured to use on a continuing basis, but which have not been used at the balance sheet date.

Investment Properties - Applies to the accounting for property (land and/or buildings) held to earn rentals or for capital appreciation or both.

Investments - The lending of surplus revenue balances to provide additional income, excluding funds invested in call accounts and 30 day notice accounts.

Impairment Loss - The amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Lessee – a person who holds the lease of a property; a tenant.

Lessor - a person who leases or lets a property to another; a landlord.

Levy – A mechanism to impose an obligation to pay tax.

Liability - An amount held by the council which is due to an individual or organisation which will be paid at some time in the future. Liabilities include both monies borrowed but not yet repaid and payments due to creditors.

Liquidity – Cash, cash equivalents and other liquid assets that can be easily converted into cash (liquidated).

Long Term Borrowing - The total amounts borrowed from external lenders for capital purposes but not repaid at the balance sheet date.

GLOSSARY

Materiality - An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision - Sums set aside from revenue to repay borrowing used to finance past capital expenditure.

Net Book Value - The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost - The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value - The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Current Asset - A tangible asset with a benefit beyond one financial year, which has a realisable value e.g. land, buildings and plant.

Non-Operational Assets – Non-current assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets would be investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases - Leases other than a finance lease.

Operational Assets – Non-current assets held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Payments in Advance - Amounts actually paid in a given accounting period prior to the period for which they were payable.

Pooled Budget - A type of partnership with another organisation in which the local authority contributes an agreed level of resource (into a single pot) to help commission/deliver specific services.

Precept – Tax levied by West Midlands Fire and Rescue Authority and the West Midlands Police and Crime Commissioner which is collected on their behalf by the council as the rating authority.

Provisions - Amounts set aside in the accounts for any liabilities of uncertain timing or amount that have been incurred, the movements in year being charged or credited to the appropriate service heads in the Service Revenue Accounts. In order for a sum to be recognised as a provision, certain criteria must be met, as specified in IAS 37.

PWLB - Public Work Loan Board.

QC – Queen's Counsel, a senior barrister.

Receipts in Advance - Amounts actually received in a given accounting period prior to the period for which they were receivable.

Reserves - Amounts earmarked in the accounts for purposes falling outside the definition of provisions can be classified as reserves. The movements in year being charged or generated as an appropriation to the Movement In Reserves Statement rather than directly to Service Revenue Accounts.

GLOSSARY

Revaluation Reserve - This account contains all the unrealised gains from the revaluation of non-current assets since it was established on 1 April 2007. All unrealised gains prior to this date are held in the Capital Adjustment Account.

Revenue Accounts Balance - The Revenue Account records an authority's day-to-day expenditure and income on such items as salaries and wages, running costs of services and the financing costs of non-current assets. The balance represents the accumulated General Fund Surplus including working balances.

Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Capital expenditure on a third-party asset, which does not add value for the council. These are usually written off in the year they are incurred. Examples of this expenditure are improvement grants and disabled facilities grants.

SONIA - Sterling Overnight Index Average rate; the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

Temporary Loans - This represents money borrowed for an initial period of less than one year.

Useful Life - The period over which the council will derive benefits from the use of a non-current asset.

VA Schools / VC School - Voluntary Aided Schools / Voluntary Controlled School.

Work in Progress - The cost of work done on an uncompleted project at the year-end, which has not been recharged to the appropriate account at the balance sheet date.